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# ***Daily Report***

## **China**

**BIS-CHI-94-058**

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# Daily Report

## China

FBIS-CHI-94-058

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25 March 1994

**NOTICE TO READERS:** An \* indicates material not disseminated in electronic form.

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## General

### More on Foreign Ministry Weekly Press Briefing

#### Wants Dialogue on Korean Issue

HK2403154994 Beijing ZHONGGUO XINWEN SHE  
in English 1308 GMT 24 Mar 94

[Text] Beijing, March 24 (CNS)—Answering questions by journalists at a press conference today, spokesman for China's Ministry of Foreign Affairs Mr. Wu Jianmin said that the only correct solution to the nuclear inspection issue in North Korea was dialogue between the sides involved. China, he added, hoped that the issue would not go to the UN Security Council.

While some difficulties had appeared in talks on this issue, all the parties concerned should show patience and adopt a constructive attitude and dialogue should be continued on a basis of equality. Neither side should pressure the other as this only aggravated the situation and would not help solve the problem.

The maintenance of peace and stability in the Korean peninsula was in conformity with the interests of the Korean people and those of the other parties concerned. China would not agree to any actions including military manoeuvres which would harm peace and stability there.

China's consistent position, he said, was to hope for a relaxation of the situation and stability in the Korean peninsula. China was for the peninsula to be a nonnuclear region and the solving of the nuclear inspection issue through dialogue. China had, he added, made every effort for the solution of this issue according to the above principles, but its role was limited.

#### Confirms Talks With U.S. on Issue

SK2403101094 Seoul KBS-1 Radio Network in Korean  
0925 GMT 24 Mar 94

[Text] The PRC Ministry of Foreign Affairs has confirmed that China is now making contacts with the United States and other permanent member states in the United Nations to resolve the North Korean nuclear issue. Wu Jianmin, spokesman for the PRC Ministry of Foreign Affairs said in a regular briefing that China is now holding meetings with the United States, as well as other permanent member states in the United Nations to resolve the North Korean nuclear issue. He added, however, that it is not appropriate to disclose in detail the contents of the contacts.

#### Comments on Improving Sino-U.S. Ties

HK2403145894 Beijing ZHONGGUO XINWEN SHE  
in English 1408 GMT 24 Mar 94

[Text] Beijing, March 24 (CNS)—The improvement and further development of relations between China and the United States lay in joint efforts by the two sides based on the principles of the three Sino-American Joint Communiqués, a spokesman for the Ministry of Foreign Affairs said this afternoon. The achievements reached by the two

sides during a visit by U.S. Secretary of State Mr. Warren Christopher showed such effort being made by the Chinese side.

The spokesman, Wu Jianmin, stressed that China did only what it was allowed to do by law. He added that the key to good or bad relations between two countries did not lie in the same ideology or social system but rather in how many mutual interests they shared. He noted that following the visit by Mr. Christopher both China and the United States knew that the interests of the two powers were vast and they shared mutual interests in many fields even though they had deep differences in some matters. Because of this the future relationship between China and the United States in no way merited pessimism.

In other developments, Portuguese Prime Minister Mr. Anibal Cavaco Silva will pay an official visit to China between April 10 to 16 at the invitation of Chinese Premier Mr. Li Peng.

The 50th annual convention of the United Nations Economic and Social Commission for Asia and the Pacific will be held in New Delhi, India, between April 5 and 13. Vice Minister of Foreign Affairs Mr. Liu Huaqiu will head the Chinese delegation to attend the meeting.

#### Views Jardine's Dellesting

HK2503034994 Beijing ZHONGGUO XINWEN SHE  
in English 1225 GMT 24 Mar 94

[Text] Beijing, March 24 (CNS)—China has reiterated that it welcomed the involvement of British companies in fair competition for the Mainland market, said a spokesman for the Ministry of Foreign Affairs this afternoon.

The spokesman, Mr. Wu Jianmin, noted that an impact had to be caused to Sino-British relations because of the non-cooperative attitude of the British side on the issue of political reform in Hong Kong. He added, however, that the Chinese side was willing to limit as far as possible the negative effects while British companies carried out business in the Mainland.

Mr. Wu made the remarks in reply to questions on Sino-British relations. He said that whether the British Jardine Matheson had its listing in Hong Kong was its own business. He added that the Chinese side as well as groups of overseas investors were confident of the territory's prosperity, stability and prospects which Mr. Wu noted were the reasons for the vast inflow of capital into Hong Kong and the Mainland.

On the matter of the new airport in Hong Kong, Mr. Wu stressed that so long as the memorandum of understanding on the new airport was strictly observed, talks between the Chinese and British sides on the issue could make progress and this the Chinese side expected to achieve.

#### Condolences Over Mexican Politician's Death

OW2403122694 Beijing XINHUA in English 1159  
GMT 24 Mar 94

[Text] Beijing, March 24 (XINHUA)—A Chinese Foreign Ministry spokesman today expressed deep condolences

over the assassination of Colosio Murieta, presidential candidate of the Revolutionary Institutional Party of Mexico.

"China always condemns and opposes any form of terrorism and violence. We were shocked at the assassination of Mr. Colosio Murieta, presidential candidate of the Revolutionary Institutional Party of Mexico, and we hereby express our deep condolences over his untimely death," the spokesman said in response to a question.

"We hope that development and stability can be maintained in Mexico," the spokesman said.

#### Beijing Reiterates Stand on Nuclear Disarmament

OW2503061594 Beijing XINHUA in English 0558  
GMT 25 Mar 94

[Text] Geneva, March 24 (XINHUA)—China will not be the first to use nuclear weapons against other countries and urges other nuclear powers to do the same, a Chinese representative said here today.

Hou Zhitong, head of the Chinese delegation to the Conference on Disarmament in Geneva, told the conference that "China has never shirked its responsibility for promoting nuclear disarmament."

It "has always stood for the fundamental objective of early realization of the complete prohibition and thorough destruction of nuclear weapons and has made unremitting efforts and important contributions in this regard."

"It is known to all that since the first day when it came into possession of nuclear weapons, the Chinese Government has solemnly declared to the world its unilateral commitment of not being the first to use nuclear weapons at any time and under any circumstances," Hou added.

He pointed out, "China has on many occasions strongly appealed to other nuclear weapon states to undertake similar commitments and to conclude an international convention to this end."

He said that in order to promote the process of nuclear disarmament and realize the goal of preventing nuclear war, the Chinese Government has recently taken further initiatives.

On December 23 last year, the Chinese Government formally proposed to the United States, the Russian Federation and other nuclear weapon states that negotiations be started among the five nuclear weapon states to conclude a treaty on the non-first-use of nuclear weapons.

"It is the view of the Chinese Government that under the present international situation, the condition is ripe for the five nuclear weapon states to negotiate and conclude such an international treaty," Hou said.

China believes, Hou said, the conclusion of this treaty will significantly reduce the risk of nuclear war and provide security to the five nuclear weapon states, especially the small and medium-sized ones among them.

He added, "it will also improve mutual trust and contribute to the prevention of nuclear proliferation."

Hou noted that such a treaty will play an important role in realizing a comprehensive nuclear test ban and promoting nuclear disarmament.

He expressed the hope that countries concerned will give positive response to China's initiative and start negotiations with a view to concluding a treaty on the non-first-use of nuclear weapons as soon as possible.

Hou said China "also hopes that the five states will join together to promote vigorously the negotiation and conclusion of an international legal instrument on not to use or threaten to use nuclear weapons against non-nuclear weapon states or nuclear-weapon-free zones, so as to make a decisive contribution to freeing mankind from the threat of nuclear war."

According to Hou, China has consistently pursued the objective of the complete prohibition and thorough destruction of nuclear weapons and stood for the realization of a comprehensive ban on nuclear weapon tests within this framework.

He said, "proceeding from this fundamental position, China has always exercised maximum restraint in its nuclear testing."

China has the lowest number of nuclear tests among all nuclear powers, he said.

"China fully understands the sincere wish of most non-nuclear weapon states for an early conclusion of a comprehensive test ban treaty (CTBT), in the belief that such a treaty will contribute to the realization of the objective of complete prohibition and thorough destruction of nuclear weapons," Hou said.

"In view of the above-mentioned considerations," Hou added, "the Chinese Government issued a statement on October 5 last year, reiterating its relevant principled positions and propositions."

The statement emphasized that China supports an early conclusion of a CTBT and that it will join other countries in the negotiation in an effort to conclude such a treaty no later than 1996.

"It is our opinion that an appropriate solution of the issue of security guarantees to the states parties ought to be one of the tasks in the CTBT negotiation.

"The CTBT is an international legal instrument with a direct bearing on the paramount security interests of its states parties," he said.

According to Hou, just as correctly provided for in the mandate of the ad hoc committee, CTBT should promote the process of nuclear disarmament and contribute to the strengthening of international peace and security.

Therefore, Hou said, "for this purpose, the treaty should contain provisions for the states parties with nuclear



weapons to undertake not to use or threaten to use nuclear weapons against states parties which do not possess nuclear weapons."

"At the same time," Hou said, "it should also provide for the states parties with nuclear weapons to undertake not to be the first to use nuclear weapons against each other."

Hou believes that "with all nuclear weapon states undertaking the above-mentioned obligations, it will add to the substance of the CTBT, further the treaty's universality and constitute a major contribution to international peace and security."

#### **U.S. Forces To Complete Withdrawal From Somalia**

OW2403222694 Beijing XINHUA in English 2123 GMT 24 Mar 94

[Text] Washington, March 24 (XINHUA)—The last batch of U.S. military forces in Somalia will leave Mogadishu tomorrow for home, the Defense Department announced here today.

Pentagon Spokesman Dennis Boxx told a news briefing that there are currently 219 military personnel in Mogadishu awaiting transportation and 496 in transit.

"Once the last troops are gone," Boxx said, "the 1,328 Navy and Marine Corps personnel ashore from the Inchon Amphibious Ready Group will load back on the ships" and will depart the area.

Boxx said, "That will leave about 50 Marines behind as security for the U.S. liaison office and about 13 service members as logistics and contract support advisers to the UNOSOM II commander."

549 other American military personnel operating elsewhere in the region in support of the Somali operation are scheduled to depart by the end of this month, the spokesman also said.

A welcome home ceremony will be held at Andrews Air Force Base on March 28 and that "marks the completion of the withdrawal and the exit of U.S. forces peacekeeping duties in Somalia," Boxx said.

#### **United States & Canada**

#### **Officials To Hold Trade Talks With U.S. in April**

HK2503034394 Beijing ZHONGGUO XINWEN SHE in English 1224 GMT 24 Mar 94

[Text] Beijing, March 24 (CNS)—China will hold two series of trade talks in the United States in April with 800 items covering electric power, transport, electronics and machinery, petro-chemical industry, metallurgy and agriculture and animal husbandry, according to the Chinese Ministry of Foreign Trade and Economic Cooperation.

The talks will be held on April 11 and 12 in Los Angeles and on April 19 and 20 in New York and will be the first

large-scale trade talks to be held by China in the United States since the start of reform and the open door policy.

The main items will include 60 items for hydro-electric and thermal power stations, 100 road, rail, airport and dock items, 300 machinery and electronics items and 100 petro-chemical industry items.

The delegation going to the U.S. for the talks will be composed of 200 senior officials, experts and entrepreneurs from such ministries as communications, metallurgical industry, machine-building industry, chemical industry, power industry, forestry, agriculture and foreign trade and economic cooperation as well the China Petro-chemical Corporation, China North Industries Corporation and China Petroleum and Gas Corporation. Six professional import and export companies under the Ministry of Foreign Trade and Economic Cooperation will also hold trade negotiation meetings in the United States at the same time.

#### **Qian Qichen Comments on U.S. Secretary's Visit**

OW2503093494 Beijing BEIJING REVIEW in English No 12, 21-27 Mar 94 pp 38-39

[Unattributed article: "Foreign Minister Qian on Sino-U.S. Relations"]

[Text] On March 14, Chinese Vice-Premier of the State Council and Foreign Minister Qian Qichen held a conclusive talk with U.S. Secretary of State Warren Christopher in the State Guest House in Beijing. After the one and a half-hour talks, Qian Qichen made a speech to Chinese and foreign correspondents, summing up the bilateral talks between China and the United States, and answered questions from the correspondents.

Qian said that the 10-hour-talks between China and the United States were open, frank and realistic. The two sides unanimously agreed that the Sino-U.S. relations are not only bilateral, but should also be viewed in a world-wide perspective and with thoughts of the future and the 21st century. The three joint communiques between China and the United States are the cornerstone of the Sino-U.S. relations. China and the United States, both big countries with world influence and permanent members of the United Nations Security Council, have many common interests in global affairs and in safeguarding international peace and security. Their stands on safeguarding regional peace and stability coincide closely.

Qian stressed that during the talks the two sides expressed satisfaction with the rapid progress in the fields of economy and trade and said that he considers the economic and trade cooperation between the two countries to have great potential and broad prospects.

Qian pointed out that the issues of human rights and most favored nation (MFN) trade status were main points of the Sino-U.S. bilateral discussions. China opposes linking human rights with the issue of the MFN. The issue of human rights has two aspects: One is that China and the United States have different viewpoints on human rights, and this will remain as a long-term fact. Another is that the

two countries deal with disputes differently. China is of the opinion that the two sides can hold talks on the issue of human rights on the basis of equality, mutual respect and non-interference in each other's internal affairs. China can only do things allowed by Chinese law. It is futile and damaging to use the human rights issue to exert pressure on China.

On the concrete achievements of the Sino-U.S. talks, Qian listed the following five points:

First, the two sides agreed to continue with high-level contacts. Chinese State Councillor Song Jian and Minister Wu Yi of Foreign Trade and Economic Cooperation will go to the United States in April to attend meetings of the Joint Commission of Science and the Joint Commission of Trade separately.

Second, the United States reaffirmed its firm support for China's reentry into GATT.

Third, the two sides have agreed to restore and develop military exchanges and have agreed to set up a joint commission for defense conversion.

Fourth, out of the friendship and humanitarianism it feels toward the American people, China has agreed to allow a U.S. team to be sent to its territory to survey three Missing In Action cases which occurred during the Vietnam War.

Fifth, the two sides signed the statement of cooperation in implementing the memorandum of understanding on banning the import and export of prison labor products.

Qian said that the two sides have reached other agreements as well. He hoped Christopher's visit will enhance mutual understanding and improve Sino-U.S. relations.

On Sino-U.S. differences on the human rights issue, Qian pointed out that the U.S. secretary of state said that he intended to link the human rights issue with the MFN because he had to implement the U.S. President's executive order and observe U.S. laws. This is understandable. The secretary of state is a lawyer. Qian said he had told him that neither the U.S. President's executive order nor U.S. law can rule China. China has no duty to carry them out. The disputes between China and the United States can only be resolved through consultations.

On the issue of the MFN, Qian said that there are different opinions within the United States. The U.S. commercial circle strongly supports the postponement of China's MFN. There are also different views. China and the United States have many common interests and also have many differences. This is a fact. China will never become the United States. If it were required that China accept the U.S. standard and be the same as the United States as a precondition to developing trade it would be impossible and there would be no trade in the world. Qian said he believes that trade between China and the United States will continue.

Qian said that the secretary of state's visit was of major importance to the Sino-U.S. relations. He said that the trend shows that to develop Sino-U.S. relations, the two sides should carry out the understandings reached by the

Chinese and U.S. heads of states in Seattle last November. He believed that Christopher, during his visit, did attempt to resolve the questions and, despite difficulties, the positive trend in Sino-U.S. relations will continue.

#### **U.S. Automaker, Shanghai Group Agree on Joint Venture**

*OW2303173594 Beijing XINHUA in English 1550 GMT 23 Mar 94*

[Text] Washington, March 23 (XINHUA)—Ford Motor Company said today it had reached conceptual agreement with China to go forward with a vehicle components manufacturing joint venture in China as soon as possible.

The joint venture between the Dearborn, Michigan-based Ford and China's Shanghai Automotive Industry Corporation (SAIC) will be the first for Ford, which, in 1978, was the first the big three automakers to sell vehicles in China after 1949.

"We are extremely pleased to have SAIC as a partner," said Alex Trotman, Ford chairman and CEO after meeting with Shanghai's Vice Mayor Jiang Yiren last week in Dearborn.

"We believe that this joint venture will be good for Ford, good for our partner and good for China," the chairman stressed.

Ford sources said that SAIC's Yan Feng Division and Ford's Plastic and Trim Products Division will collaborate to produce automotive components including interior trim, seats, instrument panels and other plastic parts.

Ford, meanwhile, is involved in discussions with several Chinese manufacturers that could lead to joint ventures in such automotive product areas as glass, electronics, engine management and air conditioning.

The company, Ford sources said, is also interested in vehicle assembly opportunities in China.

Ford has representative offices in Beijing and Shanghai and recently established a new Ford China Operations Organization headed by James Paulsen.

A range of North American-build Ford vehicles, including Tempos, has been introduced in China and 10 dealers have been located in major Chinese cities.

#### **Northeast Asia**

##### **Li Peng Receives ROK Industrialists**

*OW2503131594 Beijing XINHUA in English 1253 GMT 25 Mar 94*

[Text] Beijing, March 25 (XINHUA)—Chinese Premier Li Peng met with Kim Wu-chung, chairman of the Daewoo Corporation of the Republic of Korea (ROK), and his party here today.

During the meeting, Li voiced his appreciation for the company's positive attitude toward developing economic and technological cooperation with China.

He expressed the hope that the scientific, technological, and industrial sectors of the two countries can cooperate in a variety of ways, especially in the areas of infrastructure and hi-tech development.

Kim told Li that great potential exists for China's economic growth. Daewoo will expand its business in China and enhance its cooperation with China in iron and steel, automobiles, civil aviation and other areas of high technology.

China adopts a positive attitude toward its mutually beneficial cooperative ties with ROK, Li said.

And he asked all partners in Sino-ROK joint ventures to pay more attention to product quality, to adopt advanced technology and bring their products up to a higher level.

Asia is a huge market, he said, adding that there is no need worrying about where to sell the products.

#### **ROK Industrialists Detail Bilateral Economic Contacts**

*OW2503133194 Beijing XINHUA in English 1305 GMT 25 Mar 94*

[Text] Beijing, March 25 (XINHUA)—Frequent contacts and cooperation between enterprises of China and the Republic of Korea (ROK) will help their development and increase their competitiveness on the world market.

This is a view shared by the chief representatives and managers of the Beijing offices of ROK's Daewoo, Hyundai, Lucky-Goldstar and Samsung corporations. In a recent interview with XINHUA before ROK President Kim Yong-sam's China visit, they said that the two countries are mutually supplementary in terms of natural resources, technology and economic structure. If the two sides can combine their advantages, their enterprises will develop rapidly.

Chung Chae-kwan, chief representative of Hyundai Corporation's Beijing office, said that as the ROK and China are neighbors with a long history of culture exchanges and economic and trade contacts, there is a solid foundation for the cooperation of the companies of two countries.

Since the establishment of bilateral diplomatic ties in 1992, he said, many Korean enterprises have come to invest in and conduct trade with China, and many Chinese companies have entered Korean markets.

As a result, Chung noted, the Sino-ROK trade ties have enjoyed tremendous development. Last year, the bilateral trade volume stood at 8.2 billion U.S. dollars, and ROK investment in China reached 1.5 billion U.S. dollars.

S.C. Yi, representative of the Beijing office of Daewoo, said that since China has rich natural resources and labor, while the ROK has accumulated useful experience in its 40-year economic development and possesses advanced technology suitable for China, the effective cooperation between the two sides will create development chances for both sides.

Since the late 1980s, Daewoo began to invest mainly in China's fields of machinery, chemicals, electrical appliances and automobiles. By the end of last year, its investment in China had reached 300 million U.S. dollars. Its trade volume with China in 1993 was one billion U.S. dollars. Daewoo has also set up a joint venture with Chinese companies in the ROK.

Business in China has also developed smoothly for Samsung. With 10 offices in China, its trade volume with China surpassed 1.1 billion U.S. dollars last year, ranking first among all ROK companies. It has invested more than 100 million U.S. dollars to set up an ROK-China joint venture to manufacture electronic products and telecommunications equipment.

Chun Sung-chin, chief representative of Lucky-Goldstar's Beijing office, said that since the enterprises of both countries all are facing tense competition in the world, they must introduce new technology and expand their production scope. The industrial circle of the two countries should strengthen their cooperation in this regard.

All of the ROK entrepreneurs interviewed stressed that their companies have made long-term plans to cooperate with China, some of which have been carried out. Daewoo has signed an agreement with China to jointly produce automobile parts. The Lucky-Goldstar Group has just reached agreements with China to invest 400 million U.S. dollars to manufacture electronic products. It also plans to move its Asian sub-headquarters from Hong Kong to Beijing.

#### **Kim Yong-sam, Hosokawa Agree To Improve Relations**

*OW2403170194 Beijing XINHUA in English 1651 GMT 24 Mar 94*

[Text] Tokyo, March 24 (XINHUA)—The visiting South Korean President Kim Yong-sam and Japanese Prime Minister Morihiro Hosokawa agreed today to forge a future-oriented relationship by looking correctly at history, Japanese Foreign Ministry officials said.

They referred to the Japanese colonization of the Korean peninsula before and during World War II.

During their talks, Kim told Hosokawa that the future-oriented bilateral ties would impose great impact on Asian nations as well as the rest of the world.

The two leaders also agreed that Japan, South Korea and Russia should make efforts to adopt measures to solve the problem of returning Koreans left behind on the Russian Far East island of Sakhalin to their homeland.

They exchanged their views about political and economic reform efforts and discussed the nuclear issue on the Korean peninsula.

A second round of talks between Kim and Hosokawa is scheduled on Saturday. They are expected to discuss economic issues.



Later this evening, Kim attended a state dinner hosted by Japanese Emperor Akihito.

Kim and his wife, Son Myong-sun, arrived in Tokyo this morning for a three-day visit to Japan.

He will deliver speeches in the Japanese Diet (parliament) and at Wasoda University on Friday.

### **Southeast Asia & Pacific**

#### **Li Lanqing Meets Vietnamese Industry Minister**

OW2403084294 Beijing XINHUA in English 0801  
GMT 24 Mar 94

[Text] Beijing, March 24 (XINHUA)—Chinese Vice-Premier Li Lanqing met here today with the Vietnamese minister of heavy industry, Tran Lum, and his party.

As guest of China's Ministry of Metallurgical Industry, Tran arrived here on Monday to discuss transformation and expansion of the Thai Nguyen Iron and Steel Corporation.

The Thai Nguyen Iron and Steel Corporation was established in the early 1960s with Chinese aid.

Li hoped that the two countries would cooperate successfully in the endeavour.

Chinese Minister of Metallurgical Industry Liu Qi took part in the meeting.

#### **Trade With SRV at Guangxi Border City 'Vigorous'**

OW2203161494 Beijing XINHUA in English 1431  
GMT 22 Mar 94

[Text] Nanning, March 22 (XINHUA)—Pingxiang City in the Guangxi Zhuang Autonomous Region, south China, has become one of southwest China's most vigorous cities in border trade.

Sharing a 97-kilometer border line with Vietnam, the city is 187 kilometers north of Hanoi, capital of Vietnam, and 231 kilometers south of Nanning City, capital of China's Guangxi Zhuang Autonomous Region.

Now Pingxiang has two import and export posts managed by the state and five exit posts managed by local government.

Its railway and highway connect with those in Vietnam and the city now has become one of the major passages from China to Vietnam and other countries in Southeast Asia.

In 1992, the State Council approved making the city an open city at the border and to set up a border economic cooperation zone of 7.2 square kilometers.

From 1984 when China and Vietnam began to normalize their relations, the border trade between Pingxiang City and its Vietnamese counterpart has increased rapidly.

The transaction volume of the trade between the two sides reached 776 million yuan last year.

Moreover, Pingxiang City held a border commodity fair in the year, which was attended by about 3,000 Chinese and foreign businessmen. The fair's transaction value was about 2.3 billion yuan.

This July, Pingxiang will also sponsor a national border trade fair.

It is learned that more than 1,000 units and individuals from both at home and overseas have sent letters to the organizing committee of the fair to register to participate in the fair.

#### **Southwest Region To Develop Outlet to Southeast Asia**

OW1903103294 Beijing XINHUA in English 0915  
GMT 19 Mar 94

[Text] Beijing, March 19 (XINHUA)—The southwestern Guangxi Zhuang Autonomous Region will develop into another outlet of China, besides Guangdong, to Southeast Asian areas and the world, chairman of the regional government Cheng Kejie said here today.

At a press conference held here, Cheng said that the development of international port and trade centers in the region will benefit 240 million people in a 23-million-square-kilometer area in southwestern China.

He said that the province will provide a shortcut for import and export goods from land-locked Sichuan, Guizhou and Yunnan Provinces to Hong Kong and Southeast Asia. Now the goods mainly goes through coastal cities of Guangzhou in the south and Shanghai in the east.

He said that the central government has adopted preferential policies to encourage the locality to expand economic and trade links with Southeast Asian countries. The central government supports include special loans and funds allocations for infrastructure and better-off of the eight million poverty-stricken people in the autonomous region.

In response to a question about the region's economic relations with Southeast Asian countries, he said that many countries have shown great interest in investing in the areas along the 1,600-kilometer coastal line of the region.

Guangxi has a 1,020-kilometer border line with Vietnam, and is located near the Laos, Thailand and Myanmar [Burma].

He said that former Singapore Prime Minister Lee Kuan Yew visited the coastal city of Beihai in the region last year. Now a group of Singapore entrepreneurs are in the city to assess a 666.7-hectare area to be designated to them by the local government.

"There is a bright prospect for the project," Cheng said, "The two sides are consulting on the industrial structure and scale of investment in the area."

He said that a number of cooperative projects between the autonomous region and Thailand and Malaysia are also in the pipeline.

Since Thai Prime Minister Chuan Likphai went to Guangxi during his China visit last August, some 18 investment projects by the Thai bank have been under discussion. The bank from Thailand is also applying to set up a branch in the regional capital of Nanning.

Cooperative projects under way with Malaysia include a seafood processing plant and some 400 luxury villas in Beihai city. The city has joined hands with Malaysia to open marine tourist routes to Southeast Asian countries. It has placed orders for luxury pleasure boats and will soon put them in use.

Last year, the region introduced a total of one billion U.S. dollars of foreign funds with 2,544 investment contracts signed, seeing the fastest growth rate of foreign investment among coastal areas of China.

Most of the funds come from Taiwan, Hong Kong, the United States and Southeast Asian countries.

Besides introduction of overseas funds, the region also expanded its investment overseas. To seize the opportunity emerging in a surge of market-oriented economic reform in Vietnam, the region has been seeking to take part in technological renovations of a large number of Vietnamese enterprises that were built with Chinese aid in the 1950s and 1960s.

"We are planning to send a technological group to these Vietnamese enterprises to see what we can do to help," he said.

He said that the region has set up a joint-venture fertilizer plant and a department store in Vietnam since the two countries resumed normal diplomatic relations in November 1991.

"The two countries have a long history of friendly exchanges and cooperation. We can cooperate in many areas, such as trade, joint ventures, and tourism," he said.

#### **Qian Qichen Meets South Pacific Forum Deputy Secretary**

*OW2403113294 Beijing XINHUA in English 1109 GMT 24 Mar 94*

[Text] Beijing, March 24 (XINHUA)—Chinese Vice-Premier and Foreign Minister Qian Qichen said here today that China attaches great importance to developing its friendly ties and cooperation with the South Pacific Forum and countries in this region.

This conforms not only to the long-term interests of all involved, but also benefits the peace and stability of the Asian and Pacific region, said Qian at a meeting this afternoon with visiting William Sutherland, deputy secretary of the South Pacific Forum.

Sutherland stressed that the forum sticks to pursuing a "one-China" policy and only maintains its partner relationship with China through dialogue. It appreciates the assistance that China has granted to the forum and also its cooperative spirit.

He arrived here yesterday as guest of the Chinese Ministry of Foreign Affairs.

This morning, Liu Huaqiu, Chinese vice-foreign minister, held talks with Sutherland on the growth of relations between China and the forum, as well as the South Pacific countries.

The two reached identical views on a wide range of issues.

The south Pacific forum is a government-to-government organization with 15 members.

China has diplomatic ties with nine member countries of the forum.

#### **Daughter Conveys Deng's Regards to Australia's Keating**

*OW2303124494 Beijing XINHUA Domestic Service in Chinese 1117 GMT 23 Mar 94*

[By reporter Chen Xin (7115 2450)]

[Text] Canberra, 23 Mar (XINHUA)—Australian Prime Minister Paul Keating today met with Deng Nan, visiting vice minister of the State Science and Technology Commission. He expressed hope that China and Australia would further expand cooperation and exchanges in science and technology in addition to increasing economic cooperation and trade.

Keating said: China and Australia can complement each other in the economic field, as well as in the arena of developing and applying science and technology.

He said: Increased Sino-Australian cooperation and exchanges in science and technology are of great importance for economic development in the two countries as well as in the Asia-Pacific region.

During the meeting, Deng Nan briefed Keating on a scientific and technological development plan that China is currently developing for the 21st century. Keating expressed keen interest in the plan and signaled Australia's willingness to cooperate with China.

Deng Nan conveyed Comrade Deng Xiaoping's regards to Prime Minister Keating. Keating said: Deng Xiaoping is one of the greatest figures in this century. His tremendous role in China's reform and opening up commands admiration. Keating asked Deng Nan to convey his regards to Deng Xiaoping and wished the latter good health.

As a special guest of Australia's Department of Foreign Affairs and Trade, Deng Nan began a nine-day visit to Australia on 20 March.

**Australia Expects Closer Science, Technology Ties**  
*OW2303095994 Beijing XINHUA in English 0924  
GMT 23 Mar 94*

[Text] Canberra, March 23 (XINHUA)—Australian Prime Minister Paul Keating said today that he expects China and his country to increase cooperation in science and technology.

while the two countries have witnessed a rapid growth in bilateral trade for the past years, there is great potential for closer ties in science and technology between them, Keating said.

Meeting Deng Nan, visiting vice minister of China's State Science and Technology Commission, Keating said that further strengthening of the science links between China and Australia will be beneficial to the economic development of not only the two countries themselves but also the Asia Pacific region.

During the meeting, Deng briefed Keating on China's plan of science and technology development in the 21st century, in which Keating expressed his interest.

As a guest of the Australian Department of Foreign Affairs and Trade, Deng is currently on a 9-day visit here starting from March 20.

### Near East & South Asia

**Trade Unions Leader Meets Iraqi Guests**  
*OW2403135294 Beijing XINHUA in English 1306  
GMT 24 Mar 94*

[Text] Beijing, March 24 (XINHUA)—Wei Jianxing, president of the All-China Federation of Trade Unions (ACFTU), met with a group from the Iraqi General Federation of Trade Unions and hosted a dinner in its honor.

The two-member group, headed by President of the Iraqi General Federation of Trade Unions Fadhil Mahmoud Gharib, arrived here on March 23 at the invitation of ACFTU.

**Sino-Israeli Aircraft Maintenance Venture Established**

*OW1903042394 Beijing XINHUA in English 0411  
GMT 19 Mar 94*

[Text] Beijing, March 19 (XINHUA)—A Sino-Israeli joint venture, the Beijing Tira Aircraft Components Services Co. Ltd., will be jointly founded by Beijing Tianzhu Forestry Development Company and Rada Electronic Industries Ltd of Israel.

A contract concerning its establishment was signed here Friday [18 March].

The Rada company has set up in New York a branch, which has also been listed on the New York stock exchange.

According to the contract, the 4,600 sq m new joint venture, with a term of 30 years, will be located near

Beijing airport. The entire project will require a total investment of 13 million U.S. dollars, of which, the Israeli company will bear 80 percent.

The new joint venture will import from the U.S.-based Rada company four sets of its core products—smart cars automatic test equipment, to be used mainly for testing and maintaining avionics of planes, tradings of avionic components of aircrafts, and after-sale services and services related technical consultancies into aviation maintenance.

During the term of cooperation, both sides will get profits and share risks compatible with proportions of investment they hold.

Moshe Ben Ya'aqov, Israeli ambassador to China, and Michael Harish, minister of industry and trade of Israel, attended the signing ceremony.

**Libyan Official To Visit Starting 28 Mar**  
*OW2503080794 Beijing XINHUA in English 0713  
GMT 25 Mar 94*

[Text] Beijing, March 25 (XINHUA)—At the invitation of Chinese Vice-Premier and Foreign Minister Qian Qichen, 'Umar M. al-Muntasir, secretary of the general committee of the foreign liaison and international cooperation office of Libya will visit China from March 28 to 30.

This was announced here today by a Chinese Foreign Ministry spokesman.

**Vice Foreign Minister Confers With Yemeni Counterpart**

*JN2303154994 Sanaa Yemeni Republic Radio Network  
in Arabic 1200 GMT 23 Mar 94*

[Text] Deputy Foreign Minister 'Abd-al-Ghani 'Abd-al-Qadir and the delegation accompanying him met with PRC Vice Foreign Minister Tian Zengpei in Beijing today.

During the meeting, which is part of the ongoing and regular consultations between the two countries' foreign ministries, the two sides reviewed Yemeni-PRC ties and the means of promoting and enhancing them in the interest of the two friendly countries and peoples. They also exchanged views on regional and international issues of common interest.

**Qian Qichen Meets Yemeni Vice Foreign Minister**

*OW2403113394 Beijing XINHUA in English 1103  
GMT 24 Mar 94*

[Text] Beijing, March 24 (XINHUA)—Chinese Vice-Premier and Foreign Minister Qian Qichen stressed here today that the profound friendship of the Chinese people towards the Yemeni people will never change.

Qian made the remark during a meeting with visiting Yemeni Vice- Foreign Minister Abdul Kadir.



Qian said he was satisfied that the long friendly ties and cooperation between China and Yemen had been developed in a concrete way after the reunification of the South Yemen and North Yemen.

He added: "We are very much concerned about the Yemen's domestic situation, hoping that the country will realize its social stability and enjoy a good environment for its construction.

"We believe that the Yemeni people will solve their own problems by themselves."

China and the Yemen, Qian said, share many common points on international issues, and their relationship will grow by mutually supporting and cooperating with each other.

Abdul Kadir said he had come here for the main purpose of having political consultations with Chinese colleagues.

The Yemen was also satisfied with the growth of traditional friendship between the two countries and hoped that such relationship would keep growing.

Yesterday, Chinese Vice-Foreign Minister Tian Zengpei exchanged views with Abdul Kadir on bilateral ties and regional and international issues of common concern.

The two agreed that the political consultations between the two Foreign Ministries will be beneficial not only to strengthening their cooperation, but also to pushing forward bilateral ties.

Abdul Kadir arrived here on March 22.

#### **India Considers Establishing Joint Venture Dairy**

*OW1903080994 Beijing XINHUA in English 0634  
GMT 19 Mar 94*

[Text] New Delhi, March 19 (XINHUA)—India is considering to set up a joint venture dairy in China's southern city of Nanning with a daily capacity of 50,000-liter liquid milk, official sources here said today.

The project, with an estimated cost of 1 million U.S. dollar, was an outcome of a recent China visit by Indian National Dairy Development Board Chairman V. Kurien and Managing Director Amrita Patel who was in Nanning to attend a seminar on buffalo milk production.

During their stay in Nanning, capital city of Guangxi Zhuang Minority Autonomous Region, Kurien and Patel held discussions on dairy development based on buffaloes with local Chinese officials.

The proposal mooted envisages that the Indian side would provide design and other administrative knowhow to China, the sources said.

India is also reportedly to have expressed its willingness to give 300 elite buffalo embryos and 50,000 doses of frozen semen from elite buffalo bulls in order to boost dairy development in the region.

A diplomat in the Chinese Embassy confirmed that the project is still waiting for approval by both the governments.

#### **CPC Goodwill Delegation Leaves on Visit to Pakistan**

*OW1803061894 Beijing XINHUA in English 0559  
GMT 18 Mar 94*

[Text] Beijing, March 18 (XINHUA)—A five-member goodwill delegation of the Communist Party of China (CPC) left here today for a visit to Pakistan at the invitation of the Pakistan People's Party (PPP).

The delegation was led by Hou Zongbin, member of the CPC Central Committee and deputy secretary of the Central Commission for Discipline Inspection (CCDI) of the CPC.

Among those who saw the delegation off at the airport were Li Chengren, deputy head of the International Liaison Department of the CPC Central Committee, Wang Deying, deputy secretary of the CCDI, and an official from the Pakistani Embassy in Beijing.

#### **Jiang Zemin, Li Peng Send Greetings to Pakistani Leaders**

*BK2403120894 Beijing China Radio International in Urdu 1600 GMT 23 Mar 94*

[Text] Chinese President Jiang Zemin sent a congratulatory message to his Pakistani counterpart, Sardar Farooq Leghari, on the occasion of Pakistan Day. The message says: Today, as the people of the Islamic Republic of Pakistan celebrate their national day, on my own behalf and on behalf of the Chinese people I extend my warm congratulations to you, and through you to the Pakistani people. Over the past year the Pakistani people have achieved commendable success in the construction and development of the country. I wholeheartedly wish your country further progress. The friendly Sino-Pakistani relations—based on the Five Principles of Peaceful Coexistence—have withstood the test of time and can be described as model relations. The existing contacts, friendship, and cooperation between the two countries will grow even stronger in the days to come. I wholeheartedly hope for Pakistan's progress and for the happiness and prosperity of its people.

Prime Minister Li Peng, in a message of greetings to his Pakistani counterpart, Benazir Bhutto, on the same occasion, said that over the last year the Pakistani Government and people have achieved new success in the construction and progress of the country. Sino-Pakistani relations are strong and are growing steadily. The two countries enjoy useful and positive cooperation in various fields. I am confident that these friendly and cooperative relations will be further strengthened and broadened through the joint efforts of the two countries.

## West Europe

**GATT Working Party on PRC Begins 16th Meeting in Geneva***OW1603070094 Beijing XINHUA in English 0643  
GMT 16 Mar 94*

[Text] Geneva, March 15 (XINHUA)—The working party on China of the General Agreement on Tariffs and Trade (GATT) began its 16th meeting here today to continue deliberation on resuming China's signatory status of the GATT.

The four-day meeting is being attended by a Chinese delegation led by Deputy Minister of Foreign Trade and Economic Cooperation, Gu Yongjiang, and Deputy Minister in Charge of the State Commission for Economy and Trade, Yu Xiaosong.

Establishing a world trade organization was one of the important achievements at GATT's Uruguay Round of talks, which concluded last December and in which China participated.

Deputy Minister Gu said the meeting of the working party, held after the Uruguay Round, has lent new meaning to China's reentry into GATT, which would make the country one of the founding members of the future trade organization.

Under the Uruguay Round agreement, the new organization is to be established by July, 1995.

However, many countries are now asking that this date be moved up to next January.

Gu said that conditions for Chinese membership in the world trade organization have now matured after 15 years of efforts in the reform towards a market economy, and the standardization of China's foreign trade system in accordance with GATT requirements.

Delaying China's return to GATT will mean delays in carrying out China's commitments made in the Uruguay round, and will not help the contracting parties to make use of the opportunities offered by China's economic growth, said Gu.

He added that any delay would also take away the confidence that the Chinese business circle has in GATT.

In his speech, Gu gave a detailed report on China's reform measures taken since late last year, especially those on the regulation system for foreign exchange.

Meanwhile, Yu Xiaosong briefed the representatives in detail on the measures adopted or soon to be adopted by China in reforming its import regulation system, lowering tariffs, and reducing non-tariff obstructions.

At the meeting this morning, representatives from countries including the United States, Japan, and the European Union (EU) welcomed China's reform in foreign exchange regulation.

The EU representative, praising the reform as "encouraging," said that the EU hoped to conclude the working party on China with a decision to allow it to soon reenter GATT.

Japan, Uruguay and the Nordic countries all expressed the same hopes.

**Toy Manufacturers Complain About EU Quotas***HK1703075094 Beijing CHINA DAILY in English  
17 Mar 94 p 2*

[By Li Wen: "EU Quotas Enrage Toy Makers"]

[Text] Guangzhou—Toy manufacturers are feeling the sting of the European Union's newly-imposed quotas on Chinese toys—a decision that one expert predicts will cost the mainland more than \$500 million.

"The quota issue will greatly hurt the Chinese industry and our losses are even difficult to estimate," said Albert Su, executive director with Jetta Company, a private Hong Kong company based in Guangzhou.

His company opened 11 years ago with just 25 workers. Like many private Hong Kong toy manufacturers, Jetta moved its operations to Guangzhou for cheap labour. And it decided against investing in other Southeast Asian nations.

Now that decision is threatening a large chunk of his business—and the livelihood of the 15,000 workers Jetta now employs.

EU foreign ministers recently voted 7-4 to restrict Chinese toys coming into their market. The quota went into effect on Tuesday.

They allege that the Chinese toy manufacturers are able to "dump" their products on the EU market because of government subsidies that drive their prices down.

"That is completely incorrect," Su said. "For 11 years, since we set foot in Guangdong, we have never received a penny from the Chinese Government; nothing, except a lot support, of course."

Toys sold to the European market account for 30 per cent of Jetta's total exports. And they are not alone.

In 1992, China exported \$1.14 billion in toys to Europe, according to statistics from the Toy Manufacturers Europe in Brussels.

"China's toy industry will lose at least \$570 million on account of the quota issue this year," Su predicted.

The Guangdong Toy Manufacturers' Association called the EC's action trade protectionism.

The association is blaming the struggling economy as the prime reason why European manufacturers have urged the EU to shut the door on Chinese goods.

Guangdong's Pearl River Delta region, the world's biggest toy manufacturing base, produces about 50 per cent of the world's toys.



And they account for two-thirds of the total in China and almost all products are sold abroad.

The province exported \$1.1 billion worth of toys last year, ranking second after the \$3.6 billion in clothes exports.

Over the past 10 years, almost all of the Hong Kong toy makers have shifted their plants from the territory to the delta region to take advantage of the cheap labour and favourable investment environment.

There are more than 2,000 Hong Kong toy plants in that area. Only America has a larger market for their products than Europe.

"Our toys are cheaper because of cheap Chinese labour costs. I don't believe any plant here is subsidized," declared Su.

EU has imposed quotas on three major categories: Stuffed toys, those representing non-humans, and diecast miniatures.

Su said many long-term sales agents are advising manufacturers to leave China and transfer production to Southeast Asia, which means his overseas customers will reduce awarding contracts to China-based manufacturers.

"Some Hong Kong investors are actively involved in building new plants in Thailand, despite the fact that the investment environment there is not as good as China," he explained.

According to the quota system, further categories will also be subject to surveillance.

"No quotas have been set for them now but that may be possible if we don't make attacking measures," said Su.

Manufacturers said that they will ask the Chinese authorities to allow them to increase domestic sales.

#### **British Financial Group To Begin Operations in Guangzhou**

*OW1603092394 Beijing XINHUA in English 0903  
GMT 16 Mar 94*

[Text] Guangzhou, March 16 (XINHUA)—Ici Swire Paints (China) Limited, a Sino-British-funded enterprise, is scheduled to go into operation on March 18.

At a news conference today sponsored by delegates from the Swire Group of Britain, Barry C. Matthews, general manager of the joint venture, said that the investment of his company in Guangzhou will not be affected by the recent disputes between China and Britain.

He said that his group is confident of China's economic development future.

Located in the Guangzhou Economic and Technological Development Zone, Ici Swire Paints (China) limited will produce 20 million liters of paints annually.

Construction of the joint venture started in September 1992 and investment in the first phase of the project amounted to 23 million U.S. dollars.

#### **NPC Delegation Leaves for Paris Parliamentary Conference**

*OW1803062194 Beijing XINHUA in English 0543  
GMT 18 Mar 94*

[Text] Beijing, March 18 (XINHUA)—A 13-member delegation of the Chinese National People's Congress (NPC) led by Zhu Qizhen, vice-chairman of the NPC Foreign Affairs Committee, left here for Paris today to attend the 91st conference of the Inter-Parliamentary Union (IPU).

China joined in the IPU in 1984 which was founded in June, 1889.

#### **Luo Gan Meets With Special Envoy to German Chancellor**

*OW2103134194 Beijing XINHUA in English 1329  
GMT 21 Mar 94*

[Text] Beijing, March 21 (XINHUA)—Chinese State Councillor Luo Gan met here today with Horst Teltschik, the special envoy of German Chancellor Helmut Kohl and director of the BMW Company.

During the meeting, Luo said that since infrastructural deficiencies have become bottlenecks in China's economic development, the Chinese Government will focus on infrastructure construction in the next five-year plan period.

He expressed his welcome to German companies' wish to participate in China's infrastructural development. He said that the prospect of German companies' business in China would be very bright.

Teltschik introduced his talks with officials of China's State Planning Commission on the cooperation between the two countries in this regard.

He said that nine big German companies had shown willingness to help China to improve its infrastructural facilities, and a concrete plan had been put forward.

The German Government will support the plan, he added.

The German guests arrived here on Sunday [20 March] at the invitation of the China Council for Promotion of International Trade.

#### **Zou Jiahua Meets German Special Envoy**

*OW2303135794 Beijing XINHUA in English 1321  
GMT 23 Mar 94*

[Text] Beijing, March 23 (XINHUA)—Vice-Premier Zou Jiahua met here today with Horst Teltschik, special envoy of German Chancellor Helmut Kohl and director of the BMW Company, who came to China to explore new possibilities for economic cooperation between China and Germany.

Vice-Premier Zou said that China is willing to further enhance its economic and other relations with Germany, China's biggest trading partner in Europe.

Teltschik told the Chinese vice-premier that German economic circles are keen to offer their cooperation to China in transportation and other infrastructure areas.



Teltschik and his party arrived here Sunday [20 March] at the invitation of the China Council for the Promotion of International Trade.

**Song Jian Meets German Parliamentary Secretary**  
*OW2403085494 Beijing XINHUA in English 0840*  
*GMT 24 Mar 94*

[Text] Beijing, March 24 (XINHUA)—Song Jian, Chinese state councillor and minister in charge of the State Science and Technology Commission (STC), met here today with Bernd Neumann, parliamentary secretary of state of the German Federal Ministry of Research and Technology, and his party.

Neumann and his party arrived here on Monday [21 March] at the invitation of the STC.

The German guests also took part in the 12th meeting of the Sino-German Joint Committee on Science and Technology Cooperation held here on Tuesday and Wednesday.

Congratulating on the fruitful meeting, Song said that China and Germany have closely cooperated in the field of science and technology since the Sino-German agreement on cooperation in science and technology was signed in 1978.

He said that both the Chinese Government and the STC attach great importance to such cooperation with Germany, which is beneficial to both sides.

Neumann expressed his hope that German-Chinese cooperation in science and technology would be strengthened.

At the 12th meeting, Chinese Vice-Minister Zhu Lilan and Neumann signed the summary of the meeting.

According to the document, both countries agreed that there should be more bilateral cooperation in the fields of new materials, bio-technology and environmental technology, and more exchanges between scientists of the two countries.

**Beijing Names Representative to Sino-Portuguese Land Group**

*OW1503111194 Beijing XINHUA in English 1056*  
*GMT 15 Mar 94*

[Text] Macao, March 15 (XINHUA)—Ding Baonian, former councillor of the Chinese Embassy at Lisbon, is going to take the post as senior Chinese representative of the Sino-Portuguese Land Group soon.

While meeting with the Portuguese representatives of the land group, Ding said he would do just as his predecessor at his new work post, which he described as one that bears great responsibilities.

He said he would work hard at his new post and deal with everything in accordance with the stipulations of the Sino-Portuguese Joint Declaration and in the light of being responsible for Macao residents and Macao's future.

He also stressed the necessity of cooperation from the Portuguese side and support of people from all walks of life in Macao in handling affairs in this field.

Ding will be the third senior Chinese representative to the Sino-Portuguese Land Group since it was set up on January 15, 1988.

**First Batch of Portuguese Funds Go to Brewery Industry**

*OW2103164194 Beijing XINHUA in English 1449*  
*GMT 21 Mar 94*

[Text] Macao, March 21 (XINHUA)—The first batch of Portuguese investment on China's mainland has gone into the country's brewery industry.

It is learned at a signing ceremony on the establishment of a joint venture to produce white grape wine here today. The cooperators of the joint venture include Hebei Province's Fengrun Cao Xueqin Family Wine Manufacturing Corporation, Tangshan City's Forestry, Industrial and Commercial Company and Cave Central da Bairrada (Macao) Limited, in which the Cave Central Bairrada, SA [Corporation], a company from Portugal has a big share of investment.

According to contract signed here today, the total investment of the joint venture stands at 11.6 million U.S. dollars, with the registered capital reaching 9.8 million U.S. dollars. The Cave Central da Bairrada (Macao) Limited has a share of 40 percent of total investment.

The joint venture was designed to produce 4,500 tons of white grape wine annually, which is expected to bring about 12 million U.S. dollars in sales income and 5.2 million U.S. dollars of pre-tax profits.

The joint venture would import advanced brewery manufacturing equipment from West Europe and advanced technologies from the Cave Central Bairrada, SA. The contract terms stands at 20 years.

**Latin America & Caribbean**

**Shaanxi Provincial Trade Delegation Ends Cuba Visit**

*OW2403064694 Beijing XINHUA Domestic Service in Chinese 0434 GMT 24 Mar 94*

[By reporter Yan Qinghua (7346 1987 5478); exclusively for Shaanxi Provincial newspapers, radio, and television]

[Text] Havana, 23 Mar (XINHUA)—Following a four-day visit to Cuba, China's Shaanxi Provincial economic and trade delegation left Havana for Madrid on 23 March.

Before leaving Havana, Liu Chunmao, head of the delegation and vice governor of Shaanxi, told this reporter at Havana International Airport that the delegation's visit had achieved results. He said Shaanxi would strengthen cooperation with Cuban Government departments in economic, trade, and science and technology sectors.

On the evening of 22 March, on behalf of the Shaanxi Provincial Government, Vice Governor Liu Chunmao separately signed with Melendez, minister president of Cuba's State Committee for Economic Cooperation; and (Gonzalez,) chairman of the Havana Provincial People's Congress, two letters of intent on economic, trade, and science and technological cooperation in biotechnology, medical equipment, and the civil aviation industry. Ying Zhibang, member of the delegation and president of the Shaanxi Provincial Wuhuan Group; and (Mendes,) responsible official with the Cuban Textile Industrial Union, signed a letter of intent to cooperate in the production of textile products. Zhang Shuiping, a member of the delegation and secretary general of the Shaanxi Chamber of Commerce under the China International Chamber of Commerce; and (Meideros), vice chairman of the Cuban Chamber of Commerce, signed an agreement on cooperation in international trade.

The delegation arrived in Havana on the evening of 19 March. During its visit to Cuba, (Alarcon), member of the Politburo of the Communist Party of Cuba (president of the Cuban parliament); (Balager) (director of the International Department of the Communist Party of Cuba); and (Parmeilo) (party secretary of Havana province) respectively met Liu Chunmao and his party. The delegation also paid a courtesy call on high-ranking government officials including Melendez, minister in charge of the State Committee for Economic Cooperation; Teja, minister of public health; and Cabrisas, minister of foreign trade. Both parties conducted discussions and consultations on developing economic and trade cooperation between Shaanxi Province and Cuba. In addition, Liu Chunmao and his party also visited Cuba's immunological center, genetic engineering and biotechnological centers as well as some industrial facilities.

### **China, Cuba Put Judicial Assistance Accord Into Effect**

*HK2802061794 Beijing XINHUA Domestic Service in Chinese 0546 GMT 26 Feb 94*

[By reporter Hou Yaoqi (0186 5069 0366): "China-Cuba Civil and Criminal Judicial Assistance Accord Officially Comes Into Effect"]

[Text] Havana, 25 Feb (XINHUA)—China and Cuba exchanged here on 25 February the instruments of ratification for the China-Cuba Civil and Criminal Judicial Assistance Accord, thus the Accord Between the PRC and the Republic of Cuba on Mutual Civil and Criminal Judicial Assistance signed between the two countries officially came into effect on 25 February.

During a ceremony for the exchange of instruments of ratification for the accord, which was held at the Cuban Foreign Ministry, Chinese Ambassador to Cuba Xu Yicong and Cuban Vice Minister of Foreign Affairs Nicholas Rodriguez [1441 0657 2139 2448 5012 1795 6849 2706 2448] signed the instruments of ratification on behalf of their respective governments.

The Accord Between PRC and the Republic of Cuba on Mutual Civil and Criminal Judicial Assistance was signed in Beijing on 24 November 1992. According to the accord, individual Chinese and Cuban citizens, and Chinese and Cuban legal entities established in accordance with domestic laws of the country where they are based, as well as the properties of such citizens and legal entities, are to enjoy equal rights to civil and criminal judicial assistance within each other's territories.

## Political & Social

### Release of Political Reformer Bao Tong Possible

HK2503023894 Hong Kong SOUTH CHINA MORNING POST in English 25 Mar 94 p 16

[By John Kohut in Beijing]

[Text] Chinese authorities have hinted that Bao Tong, a political reformer who once served as an aide to ousted Communist Party leader Zhao Ziyang, could be eligible for release from jail on medical grounds, according to John Kamm, a human rights campaigner based in Hong Kong. Mr Kamm, who met senior officials from the judiciary and other departments this week, said the authorities now acknowledged that Bao, who has served nearly five years of a seven-year sentence, was ill, though they insist his life is not threatened.

Formerly, officials did not admit that Bao, 60, was sick, despite reports that his health had suffered after his arrest on May 28, 1989. By conceding that Bao is ill, the authorities are opening the possibility of an early release from jail on medical grounds.

The officials said Bao was being given special nourishment and medical treatment, but there was no suggestion that Bao's condition was stabilising under the care of the prison doctor. The authorities made their remarks in the context of a discussion on the possibility of prisoners being released on medical parole. When asked point-blank whether Bao would be released, the officials refused to answer directly.

"What I'm hoping is that if we can highlight the fact they acknowledge he's sick, we can perhaps increase the pressure for some sort of parole," Mr Kamm said. "They're telling us they're considering releasing people, and that Bao Tong is ill. They say he's getting special treatment. They are not saying that he has stabilised. If anyone is qualified for parole, he is qualified," he said.

Bao's son Bao Pu, who has been studying in the United States, said he saw his father for the first time in more than four years on February 17, and again visited him in the Qincheng prison about two weeks ago. "I was shocked," said Mr Bao. "His face was puffy and swollen." He said his father was wearing a padded blue jacket that had not been washed in years.

Bao, convicted of "leaking state secrets" and of counter-revolutionary activity in early 1989, is being kept in solitary confinement. Though his cell faces south, there is no window. His cell provides him with enough room to practise taijiquan [traditional Chinese shadow boxing]. He is allowed to shower once a week and is also permitted to watch television at certain hours.

Since entering Qincheng, Bao has had 17 polyps removed in six separate operations. The authorities say the polyps have so far been benign. His white blood cell count is well below normal and he has thyroid tumours and suffers from salivary gland atrophy. "He was fine, in spirit, and still as sharp as I remember," Mr Bao said of his father. He added

that on his second visit, his father appeared to be a bit better, though his face was still swollen.

### Official Warns Reporter for Contacting Wei Jingsheng

HK2503035094 Hong Kong LIEN HO PAO in Chinese 25 Mar 94 p 10

[By staff reporter: "Beijing Warns German DER SPEIGEL Reporter That He Must Bear the Consequences for Illegally Contacting Wei Jingsheng"]

[Text] Yesterday, an official from the mainland Ministry of Foreign Affairs gave a serious warning to Chou Chin-heng, a German reporter who frequently contacted Wei Jingsheng, noting that the reporter's contact with Wei Jingsheng constituted involvement in mainland's politics and also a violation of its laws. If he continues to disregard exhortations, he will bear all consequences rising therefrom.

At an appointment he made with German DER SPEIGEL reporter Chou Chin-heng yesterday morning, Han Zuomin, deputy director of the Information Department of the mainland Foreign Ministry of Foreign Affairs, stated: Wei Jingsheng is a criminal released on parole. According to law, foreign journalists are not allowed to contact criminals released on parole. Han Zuomin went on to say: He made the above remark on behalf of Wu Jianmin [spokesman of the Ministry of Foreign Affairs].

It has been learned that the reporter of German nationality was stationed in Beijing in 1990. After Wei Jingsheng was released from jail, the reporter got acquainted with him. In early March this year, on the eve of U.S. Secretary of State Warren Christopher's visit to Beijing, together with his wife of Taiwanese origin and child, the reporter was interrogated by the public security organ for an hour and a half. The next day, an official from the Information Department of the Ministry of Foreign Affairs appeared personally to warn the reporter that, according to law, contacting criminals released on parole is a violation of law, and Wei Jingsheng is precisely such a criminal. He hoped the reporter would understand the point.

Early yesterday morning, the mainland Ministry of Foreign Affairs again summoned the reporter and warned him not to carry out activities in violation of law by making use of his wife of Taiwanese origin and son. Immediately after that, the reporter issued the above report to various news agencies.

### Family Says Dissident Zhai Weimin Imprisoned in Henan

HK2503092094 Hong Kong AFP in English 0909 GMT 25 Mar 94

[Text] Beijing, March 25 (AFP)—Zhai Weimin, leader of the pro-democracy movement crushed at Tiananmen Square in June 1989, has been in jail in central China's Henan province since his March 6 arrest, his family said Friday. They said he was being held at Yeshugou jail, near the city of Xinan in the western part of Henan province.



The arrest of the 23-year-old dissident came as part of a vast security offensive against dissidents in China beginning early this month. At least 18 people were picked up.

Speaking by telephone on Wednesday, Xinan police said they "knew" Zhai but "did not know" where he was.

A family member said the dissident was allowed to see his youngest sister, Zhai Yujie, on Friday morning, but that the police would not divulge the reasons for his arrest. Those close to Zhai, however, suspect he will be held at least until June 4, the fifth anniversary of the Tiananmen Square massacre.

Zhai, number six on the "list of most-wanted students" after the pro-democracy movement was smashed, was arrested in early 1990 and spent three-and-a-half years in prison for "counter-revolutionary propaganda" before being freed last September 13. His release came just a few days before the selection of a site for the 2000 summer games. The Chinese capital lost out to Sydney, Australia.

Three recent arrests of dissident lawyers Zhou Guoqiang, Yuan Hongbing and Wang Jiaqi have been confirmed by the authorities recently. Friends of Yuan and Wang said this week that they had been unable to receive any word on them despite repeated appeals to judicial authorities.

#### **Premier Li Peng Meets With Hainan NPC Delegation**

*HK2503054694 Haikou Hainan People's Radio Network in Mandarin 1100 GMT 15 Mar 94*

[Excerpts] State Council Premier Li Peng arrived at the Taiwan Hall in the Great Hall of the People on the morning of 14 March to listen and participate in the discussion and deliberation of the Hainan provincial delegation to the Second Session of the Eighth National People's Congress [NPC] on the government work report.

Premier Li Peng's presence was welcomed by all the deputies. The Premier cordially shook hands with them. Ruan Chongwu, head of the delegation, told Premier Li Peng of Hainan's primary work in 1993 and the conditions of Hainan's national economic development. [passage omitted]

After earnestly listening to the deputies' speeches, Premier Li Peng said that the Hainan Special Economic Zone has its own characteristics. Its development should not follow Shenzhen's pattern—characterized by comprehensive development, but should focus on certain areas to make breakthroughs in. Hainan currently has some difficulties due to its weak economic foundation, but it has the advantages of rich resources and favorable policies. These benefits must be given full play to accelerate the building of Haikou, Yangpu, and Sanya and propel the whole province to make progress. [passage omitted]

#### **Li Lanqing Joins Jiangxi Delegation Discussion**

*HK2403150594 Nanchang Jiangxi People's Radio Network in Mandarin 1100 GMT 15 Mar 94*

[Text] According to a report from Beijing by special staff reporter Yu Wei, this morning, Li Lanqing, member of the

CPC Central Committee Political Bureau and vice premier of the State Council, joined a meeting of the Jiangxi delegation to examine and discuss the government work report. He said: Jiangxi has been developing fairly rapidly in recent years. In particular, it has attached importance to educational work. The key to economic development and invigoration lies in training qualified personnel. The Jiangxi Provincial CPC Committee and government have firmly grasped education. This will definitely play a very positive role in Jiangxi's future development.

The full meeting of the Jiangxi delegation, held this morning, was presided over by provincial CPC Secretary Mao Zhiyong. Huang Zhiqian, Huang Maoheng, Hua Tong, Lu Derong, (Liu Yizhong), (Li Lide), Huang Dingyuan, and others spoke. In light of Jiangxi's practical reality, they aired their views freely on issues such as educational reform, financial and tax system reform, foreign trade structural reform, the purchase and marketing of grain, special funds for grain storage, the development of light vehicles, and strengthening infrastructure projects.

Vice Premier Li Lanqing fully affirmed those good opinions and suggestions made by the people's deputies. He said: It is necessary to take effective measures to solve the problem of pay and conditions, and housing for teachers. Input for education must be increased, and the teachers' law must be enforced well. He pointed out: The fundamental solution for education lies in reform. It is necessary to adjust well the macrostructure of education. First of all, major efforts must be concentrated on basic education. This is a matter of vital importance which concerns the quality of our nationals as a whole. Furthermore, it is necessary to develop vocational education. The majority of Chinese youths rely on vocational education to train themselves into useful persons. Reform in higher education must place its emphasis on improving quality.

Financial Minister Liu Zhongli and Minister of Forestry Xu Youfang were also present at today's discussion of the Jiangxi delegation.

#### **Li Lanqing Joins Yunnan Delegation Discussion**

*HK2503002694 Kunming Yunnan People's Radio Network in Mandarin 1000 GMT 15 Mar 94*

[Text] According to a special dispatch from Beijing by staff reporter Ding Yongsheng, yesterday, Li Lanqing, member of the CPC Central Committee Political Bureau and vice premier of the State Council, and Wang Hanbin, executive chairman of the Presidium of the Second Session of the Eighth NPC and vice chairman of the NPC Standing Committee, joined the Yunnan delegation to examine and discuss Premier Li Peng's government work report. During the discussion, people's deputies were enthusiastic in expressing their views. Centering on the government work report, they aired their views on further speeding up the pace of opening up, conducting scientific and technical structural reform well, developing economy and education in areas inhabited by minority nationalities, safeguarding social order, and other items.

While attentively listening to the speeches of people's deputies, Li Lanqing and Wang Hanbin took notes from time to time, and exchanged views with them on certain issues. After the deputies finished making their speeches, Vice Premier Li Lanqing said: Last year was a crucial year in which our country advanced toward the socialist market economic system. Various major reform measures were promulgated. This involved many aspects and faced great difficulties. A stable political situation and social environment were needed.

Li Lanqing stressed: Doing price reform well is a key to handling relations between developing reform and maintaining stability. Governments at all levels must take practical measures to control commodity prices within a scope that the masses can bear. In particular, prices of food and vegetables, which are closely connected with people's livelihood, must be effectively dealt with. Only thus can various kinds of reform progress smoothly. Li Lanqing also pointed out: China must never rely on foreign countries to solve the problem of feeding the people. It is imperative to assign agriculture a most fundamental strategic position and develop it well.

While talking about the issue of economic development in border areas inhabited by minority nationalities, which deputies paid close attention to, Li Lanqing emphasized: The central authorities have considered the development of areas inhabited by minority nationalities as a major strategic issue. Yunnan is rich in natural resources, and has many strong points. It is necessary to give play to these strong points. First of all, efforts must be made to strengthen infrastructure projects such as transportation, energy, and telecommunications. We must study how to make use of foreign capital for the exploitation of natural resources.

He fully affirmed our province's achievements in developing education for minority nationalities. He said: Many areas in Yunnan have persisted in developing education despite difficulties. They have thus grasped the gist of the problem. As long as education is developed and qualified personnel are trained, any area can become rich, no matter how poor it is now. To get rid of poverty, areas of minority nationalities must vigorously develop education.

In his speech, Li Lanqing also expressed views on transformation of government functions, promotion of clean and honest government administration, improvement of social order in border areas, and so on.

#### Official Views Guangdong Grain Shortfall

HK2503054494 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1319 GMT 18 Mar 94

[By reporter Xien Zuan (6200 9449): "Guangdong Runs Short of 10 Billion Jin of Grain a Year"]

[Text] Beijing, 18 March (ZHONGGUO TONGXUN SHE)—At the meeting of the Guangdong delegation to discuss the government work report and the planning and budget reports, State Councilor Chen Junsheng aired his views on the grain issue. He pointed out: Although China

hit a record high in increased grain output in 1993, strains on grain still could be seen in some localities. For example, Guangdong is still short of 10 billion jin of grain a year. In the days to come, the province must strive to raise its level of self-sufficiency in grain.

Chen Junsheng remarked: The imbalance in the regional grain supply remains a problem. Take Guangdong for example, its current grain output is 30 billion jin or so but its grain demand is some 40 billion jin, or it is short of 10 billion jin a year. It has to buy grain from outside the province. He maintained: Guangdong must feed some 10 million people coming from other parts of the country. In doing so, it should not just rely on buying grain from other provinces.

Chen Junsheng stated: Guangdong has provided the country as a whole with useful experience in reform and opening up to the outside world. Its township and town enterprises have developed rapidly. The increased peasant income is achieved mainly by developing township and town enterprises. However, on the grain issue, Guangdong must work really hard to ensure the area of land sown to grain, increase grain output, and give consideration to social benefit rather than put exclusive stress on economic results. In a word, the province must strive to raise its level of self-sufficiency in grain.

#### Report on Leaders' Activities 1-25 Mar

OW2503045294

[Editorial Report] PRC media carried the following reports on PRC leadership activities from 1 March through 25 March. The source is noted in parentheses after each report.

Wu Bangguo Meets Lt. General Zhou Keyu—Lt. General Zhou Keyu, political commissar of the General Logistics Department of the People's Liberation Army on 1 March paid a courtesy call on the leaders of the Shanghai Municipal CPC Committee and the Shanghai Municipal Government, including Wu Bangguo, member of the CPC Central Committee Political Bureau and secretary of the Shanghai Municipal CPC Committee, and Shanghai Mayor Huang Ju. The Shanghai leaders cordially welcomed Zhou who was in Shanghai to attend the change of command ceremony at the Second Military Medical University. (Shanghai WEN HUI BAO in Chinese 3 Mar 94 P 1)

Jiang Zemin Promotes First Yi General—The People's Liberation Army (PLA) now has its first general of Yi nationality. The Yi people live in the Daliangshan region of Sichuan Province. Jiang Zemin, chairman of the Central Military Commission, recently signed an order conferring the military rank of major general on Jimu Yueda [0679 2606 4766 2092] of Yi nationality, commander of the Liangshan Military Subdistrict. (Beijing XINHUA Domestic Service in Chinese 0224 GMT 24 Mar 94)

Jiang Zemin Inscribes for Book—Good Director General Zhong Qiguang, a collection of articles about the People's Liberation Army's fine tradition of political work, was recently published by the Military Science Publishing



House. Jiang Zemin, chairman of the Central Military Commission, wrote an inscription which reads 'Learn from Comrade Zhong Qiguang and inherit and carry forward the fine traditions of our Army's political work.' Liu Huaqing and Zhang Zhen, vice chairmen of the Central Military Commission, respectively wrote an inscription and preface for the book." Zhang Zhen wrote in the preface: The book provides "important guidance for us on inheriting and carrying forward the fine traditions of our Army's political work and stepping up the building of spiritual civilization." (Beijing XINHUA Domestic Service in Chinese 0832 GMT 21 Mar 94)

Li Peng, Other Leaders Support Poor Children—The Communist Youth League (CYL) Work Committee of Central Government Organs has launched a campaign for donations of money, clothes, stationery, and books to children in old revolutionary base areas and other poor regions who are unable to go to school. "Premier Li Peng, Vice Premiers Zhu Rongji, Zou Jiahua, Qian Qichen and Li Lanqing, and State Councillors Li Tieying, Li Guixian, Chen Junsheng and Luo Gan have shown great interest in and given warm encouragement and support to the campaign; and so have Chen Muhua, vice chairman of the National People's Congress Standing Committee, and Wu Xueqian, vice chairman of the National Committee of the Chinese People's Political Consultative Conference. In the capacity of ordinary working personnel, they participated in relevant activities organized by the party committee and the CYL committee of the organs under the General Office of the State Council." (Beijing XINHUA Domestic Service in Chinese 1100 GMT 21 Mar 94)

Li Peng Inscribes Book Title—*Joint Ventures, Cooperative Enterprises, and Wholly Foreign-Owned Enterprises in China* was recently published. Premier Li Peng wrote the book title. The book contains information on relevant legislation and policies and a directory of more than 30,000 joint ventures, cooperative enterprises, and wholly foreign-owned enterprises in China. (Beijing Central People's Radio Network in Mandarin 0300 GMT 21 Mar 94)

Tian Jiyun Visits Guizhou, Jiangxi NPC Deputies—"Tian Jiyun, vice chairman of the National People's Congress [NPC] Standing Committee, visited the NPC deputies of Guizhou and Jiangxi Provinces in their quarters in Hongxiang Building (in Beijing) on 9 March afternoon. He wished them good health and pleasant attendance at the NPC session." (Beijing China Radio International in Mandarin to Asia 0900 GMT 20 Mar 94)

Zou Jiahua Speaks at Book Launching—*Xie Zichang*, a book about the revolutionary contributions of proletarian revolutionary and military commander Xie Zichang, was published by the China Youth Publishing House on 20 March. At a forum on the book, Vice Premier Zou Jiahua praised Xie's contributions and said: "The publication of the book is very significant, because it publicizes the party's history and the noble character and revolutionary values of the revolutionaries of the older generation and provides very good teaching material for the education of

people, particularly youngsters, in revolutionary traditions, patriotism, collectivism, and socialism." (Beijing Central Television Program One Network in Mandarin 1100 GMT 20 Mar 94)

## Economic & Agricultural

State Council To Investigate Prices, Investments  
OW2403144594 Beijing XINHUA in English 1428  
GMT 24 Mar 94

[Text] Beijing, March 24 (XINHUA)—The State Council has formed two inspection teams, which are expected to be sent soon to conduct investigations around China into prices and investments in fixed assets.

Vice-Premier Zou Jiahua reminded the teams today that although China's economy has been growing at a rapid speed, price rises and high-pressure inflation have arisen as two big problems in the country's current economic outlook.

"The urgent task is to find a quick solution to the problems of a large expansion of investment in fixed assets and a relatively backward management system over investments and prices, which are the key factors leading to inflation and price rises," he said.

Timely completion of the inspection work will be helpful toward implementing policies the central government has drawn up for this year's overall work in 1994 and toward the fulfillment of tasks set for 1994 in terms of reform, opening and economic development, he said.

The price inspections will mark random charges on daily necessities like food and cooking oil and extortionary, unauthorized price rises which take advantage of market monopolies on important productive raw materials such as rolled steel, electricity, coal, petroleum and chemical fertilizer, and unauthorized extra charges on services.

The inspection of investments in fixed assets will focus on newly-started projects. The team will make clear the source of investment and the extent of funding for national key projects, see to the stoppage of some projects that must be suspended or stopped, and tend to other matters.

The vice-premier called on the members of the inspection team to make thorough-going investigations and study and report on the situation as it is. Moreover, he added, they must also abide by laws and regulations and be clean and honest themselves in performing their duties.

Chen Jinhua, minister in charge of the State Planning Commission, has been appointed head of the price inspection team, which is composed of executives concerned with state planning, supervision, finance, banking, taxation, auditing, industry and commerce and technological supervision.

Chen will also head the other team concerning the inspection of investment in fixed assets. Its members are drawn from departments of the State Planning Commission, the State Economy and Trade Commission, the Ministry of



Finance, the People's Bank of China, the Ministry of Supervision, the State Development Bank and the State Statistics Bureau.

### Minister Calls Controlling Budget Deficit 'Uphill Battle'

HK2003055694 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 20-26 Mar 94 p 1

[By Wang Yong: "Staunching Red Ink an Uphill Fight"]

[Text] With investment expanding and inflationary pressures growing, these are hard times for China to trim its budget deficit.

Finance Minister Liu Zhongli describes averting a budget crunch this year as an uphill battle.

Liu puts the fiscal 1994 deficit at 66.919 billion yuan (\$7.69 billion).

If repayment of domestic and foreign debts of 48.081 billion yuan (\$5.53 billion) and international loans for State key projects of 14.245 billion yuan (\$1.64 billion) are added, China faces a total debt of 129.245 billion yuan (\$14.85 billion), which is 3.8 per cent of its gross domestic product.

This proportion is slightly higher than last year's.

Economists have predicted that China's debt is unlikely to shrink in the next couple of years.

It is especially true since the government must finance a large number of infrastructure projects and subsidize teetering State enterprises.

But the finance minister has masterminded a strategy that may prevent the debt burden from choking the economic development.

"Basically we will follow a two-pronged policy this year to control debt," Liu said.

One is to put a brake on investment in fixed assets, especially real estate.

Officials fear that unchecked spending in this sector will lead to drastic price hikes for basic construction materials such as steel.

Vice-Premier Zhu Rongji has repeatedly cautioned that the real estate boom absorbing vast sums of money, is likely to turn into a bust, as it did in Japan when the bubble economy burst.

Incomplete figures show that about a quarter of last year's foreign investment in China ended up in real estate, which does not augur well for the economy as it passes through the fragile transition from central planning to regulation by market forces.

Last year, the real estate boom was largely fueled by local governments for local interests.

Economists believe this freewheeling spending will end this year, since the central government has forbidden local governments from incurring budget deficits. The country's

first budget law, which is expected to come out soon, will stipulate that only the central government can have a budget deficit.

Despite protests from some regions, the central government will proceed with the new law.

With more revenue in hand, the central government will be able to cut back investment in low-priority projects and concentrate on the key ones, such as power stations, railways, telecommunications, electronics and agricultural development.

Another trump card for containing the deficit is the implementation of the tax-sharing system, which apportions revenues from the central and local governments.

Under this system the central government can pool more money and effectively stop the haemorrhage in taxes, which in recent years has been condoned by local authorities.

The central government will collect some 70 per cent of the new tax income of local governments on the basis of the 1993 level.

"But," Liu explained, "this will be a long and gradual process."

He said the new tax system will not dampen the boom in local economies because local governments will be allowed a share of the revenue from the value-added tax.

Moreover, the central government has decided to let a number of inefficient State-owned enterprises go bankrupt this year, thus relieving itself of another heavy financial burden.

And the State has planned to streamline subsidies to the grain sectors by setting up a new purchase and sales system. The details are expected to be available soon.

But the central government will lose about 30 billion yuan (\$3.45 billion) this year after canceling certain special taxes on the State-run enterprises.

### Commentator Urges State Treasury Bond Purchase

HK2003020994 Beijing RENMIN RIBAO in Chinese 18 Mar 94 p 1

[Commentator's article: "Enthusiastically Buy State Treasury Bonds"]

[Text] Beginning 1 April, the state will openly issue two-year and three-year state treasury bonds to the general public. This is an effective means of supporting reform and solving financial problems, and is also an important matter concerning this year's overall situation of our work in all fields.

Issuing national debts to raise funds for national construction in a compensatory form is the method that has been used for many years in our country since the beginning of reform and opening, and this method plays an important role in balancing the state's financial budget, supporting

reform and opening, supporting key construction projects in the national economy, and improving the people's livelihood.

This year, the issuance of state treasury bonds is of greater immediate and profound far-reaching significance. As Premier Li Peng pointed out in his government work report, the general tasks for the whole party and the whole nation are to grasp the opportunity, deepen reform, expand opening, promote development, and maintain stability. In order to support the fulfillment of these general tasks, support reform in various fields this year, increase workers' wage income, and support agriculture, science and technology, and capital construction at some key points, the central government must provide sufficient financial guarantees. This will result in increasing expenditures and reducing financial revenues in state finances to a certain degree. Thus, the financial deficit may become a bit larger. In order to strengthen budgetary management and control, beginning this year, deficits in central finances will not be made up for by means of bank overdrafts in order to prevent the aggravation of inflation caused by the deficit-led currency issuance. Therefore, in addition to measures for increasing revenue and reducing expenditures, the financial deficit of the central government will have to be covered by means of issuing government bonds. People's active purchase of state treasury bonds will be their concrete action of supporting reform and opening and supporting key state construction projects.

Through purchase of state treasury bonds, part of the consumption funds and idle money scattered in society may be turned into state's construction funds and used to guarantee key state construction projects and economic development. In fact, this is structural redistribution of financial resources in society. Such practice not only solves financial insufficiency, but also prevents excessive increase in the money supply. It gives correct guidance to the flow of funds in society, and also helps increase the lasting momentum of national economic development and mitigates inflation pressure. The people may also benefit from such results. Therefore, purchasing state treasury bonds is a good thing beneficial to the state and the people.

In recent years, with the gradual establishment of the market for government bonds, a favorable tendency to take an active part in trading and purchasing state treasury bonds has appeared among the masses. People have paid more attention to making financial investments, mainly through purchasing state treasury bonds. Government bonds not only play a role in raising construction funds for the state, but have also become a major means of saving and investment.

This year, consideration was also given to the personal interest of bond purchasers when arrangements were made for the issuance of state treasury bonds, and more sales points were set up so that purchasers would find it easier to buy the bonds. Various specialized banks and post savings offices have set up tens of thousands of bond selling points. Securities companies, government bond service centers, and the securities departments of trust and investment companies also are involved in selling state treasury bonds.

All relevant sales points should act positively and adopt various measures to make things more convenient for investors. The masses should be able to feel that investing in state treasury bonds will bring stable returns to them, and should also be able to feel that it is convenient to purchase and resell the bonds.

We believe that with the full understanding and great support of the people throughout the country, with the leadership of the people's governments at all levels, and with the joint efforts of the institutions involved in the process, the task of issuing state treasury bonds this year will certainly be fulfilled.

### **Economy Seen as Buoyant But Inflation Still Possible**

*HK2203134894 Beijing CHINA DAILY in English 22 Mar 94 p 2*

[By Wu Yunhe: "Economy Up, But Inflation Bolts"]

[Text] China's economy continued to be brisk during the first two months of this year, the State Statistics Bureau said yesterday.

But swelling inflation and the ballooning investment of fixed assets continued to pose a threat to sound economic development this year, the bureau said in its latest report.

Driven by the buoyant domestic market, the country's industrial production grew 18.2 per cent during the first two months of this year.

Inflation, however, was 20 percent during January and February, squeezing domestic industries.

And despite the double digit growth, State-run factories grew only 1.2 percent during the period, the report said.

State-owned enterprises have lost money this year due to skyrocketing production costs and the erratic market.

And despite the central government's call for strict control over investment in the fixed assets sector, money invested by State units in projects has grown vigorously this year.

The bureau's figures showed that State unit investment in new projects rose 77.5 percent during January and February.

The bureau's economists called for the government to immediately bring inflation and fixed-assets investment to acceptable levels.

One of the government's major macrocontrol measures has been to ensure that market demand does not outstrip supply, they said.

But the report said that during the first two months of this year, the banks' net money supply to the domestic market increased by 13.7 billion yuan (\$159 million) over the same period last year.

This was mainly due to the salaries rise for State workers at the start of the year.

The report also said that rapidly growing industrial production, runaway fixed asset investment, high inflation

and rising personal incomes contributed to the strong economy during January and February.

Gross retail sales hit 235.5 billion yuan (\$27.4 billion) during the period, an increase of 25.9 percent over the same two months last year.

But the real annual growth of retail sales, after taking inflation into account, was only 5 percent.

### Statistical Bureau Warns of Problems Facing Economy

HK2203034194 Beijing ZHONGGUO XINWEN SHE  
in English 1244 GMT 21 Mar 94

[Text] Beijing, March 21 (CNS)—The State Statistical Bureau warned today that the current economy was still suffering from climbing prices, difficulties facing state-owned enterprises and overheated investment and it called for great concern to be shown and remedies found for such problems.

The three main problems covering a wide scope needed urgent solutions. First, soaring prices which were already high continued to climb. Commodities seeing greater price rises are mainly food items, especially poultry and their products, aquatic products and vegetables and medical and health care service.

The problem is attributed to a change in the operation mechanism, and during this stage it has no effective control over runaway market prices and a price hike resulting from speculation and artificial manipulation. National retail prices increased by 20 percent last January and February over the same period in the previous year.

Second, some state-owned enterprises suffered from many difficulties in their production and management with economic results tending to go downwards. Such enterprises' output grew by 1.1 percent in the first two months of this year while profits actually dropped and the scale and amount of losses expanded.

Third, investment again showed overheating with new expansion of state-owned fixed assets investment made in the first two months of this year rising to 77.5 percent from the original 74.1 percent registered in the same period in the year before. New items undertaken in localities grew in great number with the proposed investment value increasing by 65 percent over the same period in the previous year while some other areas saw such growth double.

### Column on Zhu Rongji's 'Theory of Moderation'

HK1703140094 Hong Kong HSIN PAO in Chinese 11  
March 94 p 28

["Beijing Political Situation" column by Jen Hui-wen (0117 1979 2429): "Zhu Rongji's 'Theory of Moderation' Gives People a Completely New Impression"]

[Text] Beijing, 9 March—Zhu Rongji comes fifth among CPC top leaders and ranks third in the CPC Central Financial and Economic Leading Group. When it comes to

the economy, however, Zhu Rongji is actually the arch-enemy. His position and official duties can help give authority to his remarks on China's economy on one hand, while they easily turn him into a target of public criticism on the other. His ability to rein the economy, which he displayed last June when he took charge of macroeconomic control and regulation, has once again shown his talent in the economic field. Up until now, however, he continues to insist on carrying out macroeconomic control and regulatory measures, remaining firm on his stance even when described unfavorably by some local officials as "a man who believes in withdrawing and centralizing power." Some important figures at the central level have also made veiled criticisms of him, thus adding to the pressure on his work. Such a situation is a clear indication of the existing divergence between the central authorities and local governments on the future direction of economic development, especially on the question of whether autonomy should be withdrawn from or delegated to lower levels and whether we should centralize or decentralize power. Although the "50 Provisions" adopted by the Third Plenary Session of the 14th CPC Central Committee have already answered this question through the assertion that only the establishment of a market economic structure can solve this problem, friction between the central authorities and regional governments are increasing during the process of the planned economy's transformation into a market economy, and Zhu Rongji is naturally the first to bear the brunt.

Sources from Beijing have revealed that, in the speech he delivered in his capacity as State Council vice premier and president of the People's Bank of China at the national financial and monetary work conference in mid-January this year, Zhu Rongji reaffirmed the results of last year's campaign of rectifying the financial and monetary order, stressing the need to unrelentingly abide by the "three-point law" formulated at the previous national financial and monetary work conference in July last year. Some local officials do not agree with him, however, and have called for "a serious study of last year's campaign of rectifying the financial and monetary order and stepping up macroeconomic control and regulation." Some have even accused Zhu Rongji of being "a man who advocates the planned economy under the cover of reform" and "plays a role in resuming and reestablishing the planned economic structure."

### Suffering New Pressure From the "Eight-Character Canon"

What merits special attention is that Tian Jiyun, NPC Standing Committee vice chairman, delivered a speech entitled "The Eight-Character Canon of 'Reform, Opening up, Delegating Greater Power to Lower Levels, and Relaxing Control'" at a recent symposium on the study of Deng Xiaoping's market economy ideology, which was attended by many famed economists in Shenzhen not long ago. In his speech, Tian Jiyun asserted that the "Eight-Character Canon" is the only way to promote China's market economy, and raises a question on whether we can continue to abide by this "Eight-Character Canon." Tian



Ji Yun's speech won the general approval of most participants. The basics of the "Eight-Character Canon" include persistent efforts to "delegate greater autonomy to lower levels" and oppose the "centralization and withdrawal of powers." It is believed that such remarks are directed at Zhu Rongji's macroeconomic control and regulation, putting new pressure on the man.

However, an economist who is in favor of Zhu Rongji's economic reform strategies believes that the delegation or centralization of power is an inevitable phenomenon under the planned economic structure. The "50-clause" policy decision made by the Third Plenary Session of the 14th CPC Central Committee is precisely aimed at breaking with the format of the delegation or centralization of power so as to establish a new market economic structure. Judging by the standards of the market economy, the delegation of power is not necessarily the synonym of reform, while the centralization of power does not necessarily antireform. It will prove more beneficial to the establishment of a market economic structure if we can centralize the powers that are abused in arbitrary fund collection and investment, and concentrate our financial strength on infrastructure construction projects, which have a great bearing on the national economy and the people's standard of living. The macroeconomic control and regulation advocated by Zhu Rongji is aimed precisely at achieving this goal.

#### **The Charges Made by Regional Officials Against Zhu Are Not Totally Groundless**

Sources have said that, according to the analysis of some economic experts, the charges made by the regional officials—though involving misunderstandings in many areas—are not totally unwarranted. Some local officials believe that the enthusiasm displayed by both central authorities and regions help form the basis of development, and reform is also aimed at bringing the two enthusiasms into full play. All they have said is quite right. The most striking feature of mainland China is its imbalanced economic development. It is impossible to carry out development and reform at the same pace in different localities.

The forced implementation of a policy or a program formulated by the central authorities throughout the country will either intensify or suppress the imbalance, both of which will have an adverse effect on the entire economy. Therefore, uniformity should not be imposed on different localities and regions; instead, development plans need to be drawn up in light of local conditions. For example, under the new financial and taxation system, the central authorities put forward a "financial and tax refund" policy, by which the central authorities will first centralize local tax revenues and then make pro rata refunds to different localities in accordance with the basic figures of their financial expenditures. This policy is aimed at strengthening the central authorities' ability to keep control of the local economies. When it comes to reality, however, regional governments feel restrictions in many ways, and they all worry about a slowdown in their

economy if the central authorities fail to keep their promises. What is more, with the defects of overcentralization, major waste, high accumulation, and poor economic efficiency, the central authorities have had hardly any success in the projects that they were committed to over the past many years, thus making the local government very skeptical about the central authorities' capacity to set up a powerful macroeconomic control and regulation system, even though they have such major centralized financial power in their hands.

People from Beijing's economic circles have pointed out that Deng Xiaoping once aired his view on protecting the enthusiasm of different localities on the eve of the Third Plenary Session of the 14th CPC Central Committee. Deng said: "It is necessary to strengthen macroeconomic control and enhance the authority of the central officials. We should not use the old methods of the planned economy to reach our goal, however. The central authorities should have a clear idea on what they should or should not handle and should never restrain the enthusiasm of the localities and enterprises by keeping all power in their own hands. To this end, we need to carry out reform and rely on reform to build up the central authorities' capabilities in macroeconomic control and regulation." Zhu Rongji, who is in charge of economic work and macroeconomic control and regulation, needs to heed the warning in Deng Xiaoping's remarks. The principal officials of the central government must pay attention to protecting the enthusiasm of local governments, for in this way they can dissolve contradictions between the central and local governments.

#### **Raising the "Theory of Moderation" During His Japan Visit**

Sources have indicated that, despite the local officials' misunderstandings and unfavorable comments about Zhu Rongji, the CPC top leadership and senior statesmen still affirm and support Zhu's work. At the start of last year's campaign of rectifying the financial and monetary order, Deng Xiaoping warned "not to interfere in Zhu Rongji's work." Recently, Deng Xiaoping again affirmed Zhu's accomplishments in rectifying the financial and monetary order, saying "To succeed in reform, we must advance in an orderly way under leadership" and "successful macroeconomic control should be reflected by the authority of the central authorities," for "if the party Central Committee and the State Council lack sufficient authority, the situation will get out of control."

On many occasions, Zhu Rongji has stressed the need to "carry out Deng Xiaoping's ideological theory in a positive, comprehensive, and correct way." We should be good at seizing favorable opportunities, yet we also need to restrain ourselves from making blind moves. Another CPC senior statesman Bo Yibo also said recently: "The pace of development and economic efficiency must be integrated organically. While speeding up the pace of development, we should persistently seek truth from facts, proceed in everything from reality, and never compete with one another to attain faster growth." He also stressed the need

to "acquire an accurate and comprehensive understanding of Deng Xiaoping's thought." All these represent powerful support for Zhu Rongji.

However, it has been known to all that one of Deng Xiaoping's major theories reads "Development is the last word." How will Zhu Rongji put this theory into practice? The "theory of moderation" that he raised during his visit to Japan in late February this year is fresh and new to everyone. Zhu Rongji said: "In 1992, China's economy entered a phase of high-speed development, and its economic growth rate has gone as high as 15 percent for two years running. Such rapid growth also resulted in an overheated economy, however. The macroeconomic control measures we have adopted since last June have helped bring a swift and favorable turn to the situation. From this, we have realized that we should remain moderate in everything we do. Here we emphasize once again that there should not be big fluctuations in China's national economic growth, and we should maintain sustained, healthy, and rapid economic development. Any move to abruptly slow down the speed will prove destabilizing to society. Therefore, it is highly essential that we maintain a certain speed. This year, China will achieve a fairly high economic growth of 9 percent, and we expect to maintain this rate in the coming several years. We are all oriental countries which believe in the doctrine of the mean, and moderation is the essence of the doctrine of the mean." If what he says is true, China stands a very good chance of success in maintaining healthy economic growth.

#### Deputy Taxation Chief Jin Xin Interviewed

HK2503111594 Beijing FAZHI RIBAO in Chinese 4  
Mar 94 p 2

[Interview with Jin Xin, deputy director of the State General Administration of Taxation, by staff reporter Jing Wen (4842 2429); place and date not given: "The New Tax System Is Operating in a Basically Smooth and Normal Way"]

[Text] Recently, our staff reporter interviewed Jin Xin, deputy director of the State General Administration of Taxation, on some difficult points concerning the operation of the new tax system and the reform of the taxation system, which have sparked wide concern.

[Jing] Starting 1 January this year, full-scale reform was introduced in the industrial and commercial tax system of our country. Could you please give us an idea how the new tax system has been working?

[Jin] Under the correct leadership of the CPC Central Committee and the State Council, the operation of the new taxation system has been basically smooth and normal. This mainly finds expression in the following phenomena: First, commodity prices, which people are most concerned about, did not fluctuate wildly because of tax system reform. Second, tax revenue has maintained a steady growth. Third, the printing, distribution, issuing, and use of invoices used exclusively for value-added tax [VAT] did not have much problem. Fourth, on the whole, the new tax

system did not impact production and circulation negatively. Fifth, in the implementation of the new tax system, the party and government departments at all levels, the broad spectrum of enterprises, and the general public have been supportive and the comments it has received from various quarters are generally positive.

Naturally, we have come across some problems during the implementation of the new tax system. Some problems in such major reform are inevitable, and we will encounter new problems in the future. Among these problems, some are related to policies, and others to operation. We have taken steps to solve some of them in good time, while vigorous efforts are being made to solve some others and the rest are yet to be solved after further investigation and study. In a word, we should work hard to implement the new tax system, constantly sum up our experience, keep improving it, and give full play to the role of taxation in pooling revenue and strengthening macroregulation and control so as to promote the sustained, healthy, and rapid development of the national economy.

[Jing] Introducing the value-added tax on a full scale is an important aspect of this tax reform. But many people are still not very familiar with VAT. Could you please tell us something about VAT?

[Jin] VAT is a type of circulating tax levied on commodity production and circulation, and labor service. "Value added" is the incremented value created by the taxpayer through his productive or business operation or the added value of commodities. It can also be defined as the amount of the taxpayer's revenue through the sale of commodities or provision of labor service within a given period of time in excess of the amount paid in purchasing commodities or labor service.

The VAT regime changed the practice of the traditional circulating tax regime whereby taxes were levied on all sales income at each transaction link, so that duplicate taxation could be avoided. Also, it is characterized by an extensive scope of taxation; timeliness, balance, and stability in tax collection; and fairness of distribution. It is not only conducive to the pooling of revenue, but also helps encourage enterprises to follow the principle of economic efficiency and choose the optimum organizational form for production and business operation. It also facilitates total tax reimbursement for export commodities in keeping with international practice, so as to make our products more competitive on the international market. That is why we say this is a scientific and rational tax category.

[Jing] Could you please explain the scope of collection and the range of taxpayers in connection with VAT? What are the tax rates?

[Jin] VAT is applicable to all produced, wholesaled, retailed, and imported commodities, as well as labor service in processing, repair, and servicing. All industrial and commercial enterprises, as well as other units and individuals, that sell taxable commodities or provide taxable labor service are payers of VAT.

The VAT rates come in three grades:



1. The basic VAT rate is 17 percent, applicable to the great majority of general commodities and taxable labor service.
2. The low VAT rate is 13 percent, applicable to daily necessities and agricultural means of production, such as grains, edible vegetable oils, tap water, gas, central heating, books, newspapers, chemical fertilizers, and farm pesticides.
3. A zero rate is applicable to export commodities, which means VAT paid will be fully reimbursed after the commodities have exited.

[Jing] Could you tell us what is meant by taxes not included in the calculated prices? Some enterprises have put a 17 percent VAT on the original prices of their commodities. Is this the right practice?

[Jin] An important aspect of the reform introducing VAT is that the previous practice of including tax in the calculated prices has been switched to that of not including tax in the calculated prices. In the process of commodity sale in all the stages before the retail stage, the receipt should specify the price without VAT and the amount of VAT charged.

According to a survey, when the old practice of including tax in calculated prices was in effect, the proportion of tax in each 100-yuan price averaged 14.5 percent. After the practice of not including tax in the calculated prices was introduced, the tax portion should be deducted from the taxable value, and therefore the price would be 85.5 yuan, representing a smaller tax base. But according to the guideline for the reform which requires maintaining the original tax burden on the whole, the state must collect 14.5 yuan in tax on the basis of the commodity price of 85.5 yuan. Therefore, the original 14.5 percent tax rate should be converted to a rate not included in the calculated prices, i.e., 14.5 divided by 85.5 equals 17 percent. This way, when a commodity is sold, the specialized VAT invoice should contain two separate entries, namely, the net price of 85.5 yuan and the tax of  $85.5 \times 17 \text{ percent} = 14.5 \text{ yuan}$ . The total price payable by the buyer remains 100 yuan ( $85.5 \text{ yuan} + 14.5 \text{ yuan} = 100 \text{ yuan}$ ). Therefore, the separate calculation of VAT does not cause price hikes and it is wrong of some enterprises to add a 17 percent VAT to the original commodity price, which should be redressed immediately. The State General Administration of Taxation [SGAT] has demanded that taxation authorities at all levels cooperate with local price control departments in checking and penalizing this practice. We also hope that all enterprises will conscientiously abide by the state tax law and that all circles in society will support our work.

[Jing] How is payable VAT calculated? Is the 17 percent VAT levied on every link of commodity production and circulation? Will it cause an overall increase in commodity prices?

[Jin] Let me explain and analyze this topic in detail.

First, let us find out how the payable amount of VAT is calculated. Just now we said that VAT is levied on the added value arising from the sale of commodities and

provision of labor service. But, in economic activity, the added value is hard to calculate precisely so as to provide a basis for tax calculation. Therefore, the method of indirect calculation is commonly used for this purpose, i.e., the sales volume of a commodity is first used as a basis for tax calculation, on which the applicable tax rate is used and the VAT is levied on the buyer. This amount of tax is called sales tax. The balance of the commodity seller's sales tax minus the VAT he already paid when procuring the commodity (known as the procurement tax) is the actual VAT payable by this commodity seller.

Next, I will take garment production and the subsequent business transactions as an example of how the payable amount of VAT is calculated.

Given that a textile mill sells 2 million yuan's worth of cotton fabric to a garment factory and the sales tax is 2 million yuan  $\times$  17 percent = 340,000 yuan, and that the deductible procurement tax already paid is 100,000 yuan, the VAT payable by this textile mill will be: 340,000 yuan - 100,000 yuan = 240,000 yuan.

The garment factory sells to a wholesale enterprise the garments manufactured from the cotton fabric purchased from the textile mill at a price of 4 million yuan. The sales tax is: 4 million yuan  $\times$  17 percent = 680,000 yuan. The deductible procurement tax paid is 340,000 yuan. The VAT payable by the garment factory will be: 680,000 yuan - 340,000 yuan = 340,000 yuan.

The wholesale enterprise distributes the garments purchased from the garment factory to a retail shop at the price of 5 million yuan. Its sales tax is: 5 million yuan  $\times$  17 percent = 850,000 yuan. The deductible procurement tax paid is 680,000 yuan. The VAT payable by the wholesale enterprise will be 850,000 yuan - 680,000 yuan = 170,000 yuan.

The retail shop sells the garments purchased from the wholesale enterprise to consumers at the price of 6 million yuan. Its sales tax is: 6 million yuan  $\times$  17 percent = 1.02 million yuan. The deductible procurement tax paid is 850,000 yuan. The VAT payable by this retail shop will be 1.02 million yuan - 850,000 yuan = 170,000 yuan. According to the existing price regime in our country, retail prices contain taxes and are the sum of net prices plus sales taxes. In other words, the price at which the retail shop sells the garments to the consumers is: 6 million yuan + 1.02 million yuan = 7.02 million yuan.

Though sales tax is calculated according to the sales price and the 17-percent tax rate for each taxpayer, because deduction of the VAT paid at the previous transaction point is allowed at each transaction point, the taxpayer only has to pay the balance of the sales tax minus the procurement tax paid, and the tax bearing ratio is less than 17 percent. The final tax burden is entirely borne by the consumer, the tax bearing ratio being 17 percent. That is why the actual VAT will not cause duplicate taxation, nor will it increase the burden on the taxpayer, still less cause overall price hikes.



[Jing] What are the VAT-related regulations on small taxpayers?

[Jin] Considering the specific circumstances of some small enterprises and private business operators, in order to strengthen the management over tax collection and ensure fiscal revenue, we have adopted a simple method of taxation for small taxpayers whose annual sales income is below the standard level and whose accounting calculation mechanism is not adequately developed. By this method, we collect VAT according to their sales income and a 6 percent tax rate.

Small taxpayers mainly refers to taxpayers who produce taxable commodities or provide taxable labor service and whose annual sales volume is under 1 million yuan and taxpayers who are engaged in the wholesale or retail of taxable commodities and whose annual sales volume is under 1.8 million yuan.

If a small taxpayer has an adequately developed accounting calculation system and is able to accurately calculate payable taxes according to the accounting regulations and the requirements of the tax authorities, it may, at the discretion of competent local tax authorities, pay taxes in the capacity of ordinary taxpayers.

Some time ago, some small taxpayers complained that, because they could not use specialized VAT invoices like ordinary taxpayers, their production and business operations were negatively impacted. In this regard, we have taken some steps and alleviated this problem. For instance, the tax authorities in various localities stepped up the classification of taxpayers and upgraded to the level of ordinary taxpayers some small taxpayers who basically met the requirements of ordinary taxpayers. The SGAT specially issued a circular stating that, at the discretion of the authorities, the taxation office may issue specialized invoices for the goods sold or taxable labor service provided by small taxpayers who have been conscientious in performing their obligations as taxpayers.

Here, I would like to stress that we hope all enterprises will develop their accounting system, strengthen financial management, and pay taxes according to law. This is very necessary for ensuring the revenue of the country, improving the management of enterprise operation, and raising economic efficiency.

[Jing] You just mentioned specialized VAT invoices. What are the state regulations in this regard?

[Jin] Specialized VAT invoices are not only an important type of commercial instrument used in the taxpayers' economic activities, but are also legal proofs recording the tax obligations of the selling party and the procurement tax of the purchasing party. They play an extremely important role in the calculation and management of VAT. For this reason, the SGAT specially formulated and promulgated "Regulations on the Use of Specialized VAT Invoices."

Taxation organs at all levels must attach great importance to the use and management of VAT invoices and should take the initiative in obtaining the support of the party and government leaderships at all levels, as well as the support

and cooperation from all relevant departments, such as financial departments, banks, auditing departments, industrial and commercial administration, public security, courts, and procuratorates, in strictly controlling the printing and use of special invoices. Those who use them in violation of regulations must be immediately stopped and given an appropriate penalty. Those who dare to defy the law and forge special invoices to evade state taxes and undermine the economic order must be sternly punished according to law.

In the meantime, we hope all VAT payers will use the specialized invoices in strict accordance with the stipulations of the tax authorities. This is not only to protect the state tax revenue and economic order, but also to safeguard the legitimate rights and interests of taxpayers.

[Jing] Director Jin, as far as we know, there are still some people who are not very clear about the consumption tax. They think that it is a new levy on all consumer goods that will cause overall price hikes. Could you please explain the consumption tax a bit?

[Jin] Yes. Consumption tax is a tax levied on specific consumer goods. This is a new tax introduced following reform in the industrial and commercial taxation system. But in essence, consumption tax is derived from the product tax and VAT in the original tax system. It is a product of the replacement of the old system with the new, not an extra tax levied on consumers.

The prices of commodities under the consumption tax used to contain product tax and VAT (e.g., the product tax rate for Grade A cigarettes being 52 percent). Now, after the introduction of the uniform 17 percent VAT rate, the tax burden on such commodities has been reduced. Compensating such reduction by way of collecting consumption tax is to ensure fiscal revenue on the one hand and, on the other, adjust the consumption structure and guiding consumption orientation. This does not increase the overall burden of taxable commodities. In other words, the consumer goods subject to consumption tax are, on the whole, maintaining their previous levels of tax burden. Besides, a consumption tax is not levied on all consumer goods; it is applicable only to a small number of consumer goods designated by the state. Therefore, introducing a consumption tax will not, and should not, cause price increases.

Toward the end of last year, rumor had it that the state would start levying consumption tax on home appliances and therefore the prices of commodities in this category would be significantly increased, thus starting a small wave of panic purchasing. This was a sheer misunderstanding. In fact, commodities under the consumption tax do not include home appliances.

#### Noted Economist Views 1994 Situation

HK2503100294 Hong Kong TANGTAL in Chinese No 36, 15 Mar 94 pp 40-41

[By Lin Ya (2651 0068): "China's Economy Is in a Dilemma—Economist Dong Fureng on Economic Situation in 1994"]

[Text] In the early half of 1993, China's economy was overheated. Although macroscopic regulation was strengthened from July and marked results were achieved, the annual national retail price index rose 13 percent and residents' cost of living expenses rose 14.7 percent, creating problems for the economy in 1994.

#### The Growth Rate in 1994 Is Still High

This year, the government is in a dilemma over macroscopic regulation. It has to maintain rapid economic growth but, on the other hand, it must once again keep inflation in check. If economic growth is too high, inflation will be exacerbated. If the growth rate drops excessively, it will also create problems though prices may tend to stabilize. On the one hand, there will be less supply but, on the other hand, many enterprises will be in a state of halted production or semi-production and some workers and staff do not have a sense of security regarding their livelihood, thus causing social instability. It is necessary to seek a balance of the two and properly handle it.

Overall, the rapid growth last year was a trend and there will still be a high rate of growth this year. After the control over money supply was eased in the latter half of last year, the judgment of the economic situation by some localities this year was faulty and they wrongly believed that they could arbitrarily increase investment this year. In consequence, the price of rolled steel, which had dropped, rebounded to a level which is almost as high as that before last July. As a matter of fact, it is still necessary to work through better macroscopic regulation this year to realize a "soft landing." Gradual steps must be taken to control the speed of economic growth within the following levels:

1. We must be able to integrate readjustment of the industrial structure with the speed of economic growth in a very good form, thus enabling the industrial structure to sustain rapid economic growth. In the first half of last year, the then industrial structure could not sustain the high rate of economic growth and the bottleneck constraints were aggravated. In this way, the high rate of economic growth dropped even though the government did not take the initiative to regulate it. This year, the speed should gradually drop to a level which the industrial structure, with step-by-step readjustment, can sustain.

#### \$10-Billion Trade Deficit Seen Last Year

Last year, while enhancing macroscopic regulation, we took pains to readjust the industrial structure and to integrate macroscopic regulation with readjustment of the industrial structure, which was the correct direction. Since readjusting the industrial structure is a long-term task, this year, we must still make great efforts in this respect. Some departments should slow down, whereas some others must speed up their development, for example, in energy, communications, and raw and processed materials. If tangible results are achieved on structural readjustment this year, it will create good conditions for future economic development because only with a coordinated industrial structure can we achieve sustained and high-speed economic growth.

2. It is necessary to maintain the speed of economic growth at a level which foreign exchange reserves can sustain. If the speed is too rapid but we do not have sufficient domestic resources, we will have to spend a large amount of foreign exchange on imports. Last year, we imported a lot and there was a \$10-billion trade deficit. In the long run, our foreign reserves will be exhausted and will not be able to meet the needs of repaying foreign debts and stabilizing the exchange rate of renminbi. However, if the speed of economic growth is too low, the growth of exports will be affected and there will be less foreign exchange.

3. Our finances must be able to sustain it. Overall, our country's economic growth is still mainly an extensive one and our country's financial revenue still relies mainly on state-run enterprises. If the rate of growth is too low, enterprises will have very poor benefits and there will be more financial difficulties.

4. The pressure of employment must be taken into account. There is a very great pressure of employment in our country, particularly in cities, and every year, we have two to three percent unemployment. If the speed of economic growth is too low, it will not only create problems for new employment but will also affect the employment of current staff and workers. Last year, many enterprises fully or partially halted production and some workers and staff took part of their wages and lived by selling small articles on the street. Hence, the economic growth rate cannot be too low and we have to take the pressure of employment into account.

5. When taking into account the rate of economic growth, we must pay special attention to the issue of controlling inflation. Under the current situation, it is unrealistic to achieve zero economic growth but, if we can control the economic growth rate within a certain limit, that is, the raise in the cost of living index not exceeding 10 percent, it will be a brilliant achievement.

An outstanding issue in this year's economic development is how to bring inflation under control. The question now is no longer whether or not there is inflation because it has gone beyond the limit of mild inflation. If inflation is high for a short time, the people can bear it but this is not the case if inflation is persistently high. Last year, residents' anticipation of changes in prices precisely reflected this problem. We must understand that inflation affects various strata in different ways. That is, low-income groups and retired workers and staff, particularly those from plants which have fully or partially halted production, are most affected by inflation and their livelihood cannot be guaranteed.

This year, the inflation situation is grim. Therefore, when taking into account the rate of economic growth, we must have an overall viewpoint. The economic growth rate cannot be too low and neither can inflation be further exacerbated. This year, price raises are determined by several factors: The first is the aftereffects of last year's price raises; the second is rising costs; and the third is the newly-introduced price reform, particularly raises in petroleum, coal, grain, and transportation and communications.



This year, it will be quite difficult to keep the national retail price index below 10 percent and the raise is expected to exceed 10 percent.

According to relevant statistics, due to the aftereffects of last year's price readjustment, the cost-of-living index will rise 5.5 percent this year; new factors of price readjustment this year can cause a two percent rise in retail prices; and the fact that total demand is greater than total supply in society will cause a four percent raise in retail prices. Merely because of these few factors, retail prices this year will increase 11.5 percent, whereas residents' expected effect of inflation, which may exist, is not included in the calculation.

#### **Seeking Economic Growth As Well As Bringing Inflation Under Control**

As far as the current macroscopic regulation is concerned, the government not only has to maintain rapid economic growth but also bring inflation under control so that prices will not soar. Confronted with this dilemma, the government is likely to adopt a policy which alternately tightens and relaxes control on the rate of economic growth. When the speed is too fast and inflation is exacerbated, controls should be tightened. After a certain period of time when the rate slows down and inflation eases up, the controls should be relaxed.

This year, if we can keep the economic growth rate within, or slightly outside the limit of 10 percent, and maintain the national retail price index within or slightly beyond the limit of 10 percent, our economy this year will do quite well. However, we cannot sustain it if either the rate of price raises is as high as over 15 percent or the economic growth rate drops dramatically. The government's art of regulation is precisely to strike a balance between moderately rapid economic growth and sustainable inflation. With last year's experience in macroscopic regulation, we should do better this year in gradually slowing down the excessively high-speed economic growth, to alleviate inflation step by step and to realize a "soft landing."

#### **Experts View Investment Situation in 1994**

HK2503094794 Beijing LIAOWANG in Chinese No 9, 28 Feb 94 pp 12-13

[By Fan Bi (5400 1801): "How Is the Investment Situation in 1994—A Record of Remarks by Experts and Scholars]

[Text] In the year just passed, as a result of an excessive and over-vigorous scale of investment, the macroeconomic situation has been critical and inflationary pressure has increased. What will the investment situation be in 1994? We could say that this is a question that all people, from top to bottom, are very concerned about, since it is related to whether or not the national economy can achieve sustained, rapid, and healthy development [chi xu kuai su jian kang di fa zhan 2070 4958 1816 6643 0256 1660 4104 4099 1455].

In the spring of this year, in a packed meeting room of the Investment Research Institute of the State Planning Commission, scores of experts and scholars from the Ministry

of Finance, the People's Bank of China, the Ministry of Domestic Trade, the China Materials and Equipment Center, the State Information Center, the Quantitative and Technical Economics Institute of the Chinese Academy of Social Sciences, and the State Planning Commission's General Department of National Economy, Center for Economic Research, and China Prices Information Center directly participated in a wide-ranging and vigorous discussion on the investment situation in 1994. The main views they expressed are presented below.

The participants agreed that the current economic situation as a whole is good, with the economic growth rate reaching 13.4 percent in 1993 and a comparatively high level expected to be maintained this year. In 1993, China's total social investment in fixed assets exceeded 1,180 billion yuan, a rise of more than 50 percent over the previous year, and the greatest increase for any year since the introduction of reform and opening up. However, if we exclude price rises, the quantity of goods produced increased approximately 20 percent, lower than the 23 percent rate of increase for 1992. From the perspective of the economic situation in 1994, since various regions are still very enthusiastic in developing the economy, and the numerous new projects initiated in the last two years still require comparatively great investment for their completion, plus the increase in the retail price index of 13.2 percent in 1993, this year will be a period of high-speed expansion of the economy and we will be faced with the prospect of relatively large investment and the pressure of inflation.

#### **Investment Growth Will Remain High and The Investment Structure Will Remain Poor**

According to estimates by Zhang Hanyu, a research fellow from the Investment Research Institute of the State Planning Commission, in 1994, to compensate for depreciation, the input of capital should not be less than 290 billion yuan; and to ensure that the new projects initiated in the last two years are completed on time investment must not fall below 790 billion yuan—the total of 1,080 billion yuan is the minimum investment for 1994. Zhang stated that the level of supply of raw materials will limit the total volume of investment, with domestic production and financial resources playing a major role. Generally speaking, if the GNP increases by 1 percent then it could sustain a 1.5 percent increase in investment. It is estimated that in 1994 the GNP growth in China will probably reach 10 percent, which means that physical quantity investment could increase to approximately 15 percent, and will probably reach 1,860 billion yuan. If we consider an investment price index of 7-10 percent, in 1994 investment currency will increase by 23-26.5 percent to between 1,460 and 1,500 billion yuan.

The various reform measures to be introduced this year, such as reform of the banking system, will also probably influence the scale of investment. Comrade Wang Yida of the Comprehensive Planning Department of the Ministry of Finance said that the Central Bank's method of controlling loans granted to specialized banks would be changed



from administrative distribution to management of asset-to-liability ratio. This will reduce the restrictions on loans granted to various commercial banks, but there is the possibility that this will result in a rapid increase in fixed-asset investment loans and thus foster fixed-asset investment inflation.

Wang Tongsan, a research fellow from the Quantitative and Technical Economics Institute of the Chinese Academy of Social Sciences, said that at present economic development in China is primarily dependent on investment, and that if investment is suspended, the economy will not be able to develop as rapidly. Of China's enterprises, 80 percent are manufacturing intermediate products, and only 20 percent are producing end products. If there is not considerable investment then this 80 percent will be hard-pressed and experience difficulties. In 1993 the scale of investment was already very high, and it is reasonable to forecast that the investment scale will be approximately 1,400 billion yuan in 1994. If we can control investment within this increased limit, no major problems should develop in the economy. If not, then the economy will slide.

Comrade Xu Hongyuan from the State Information Center pointed out that on the basis of the turnpike theorems [da dao ding li 1129 6670 1353 3810], when the per capita GNP reaches between \$400 and \$2,000 a nation should experience a stage of high-speed growth. This is the turnpike for economic growth. This high-speed growth means that probably within 10-15 years a state's industrialization will be completed. According to our calculations, China's per capita GNP should be \$470. We have the necessary conditions to bring about this so-called turnpike of high-speed growth. Investment and consumption are the driving forces behind economic development, but since we are a developing country, consumer goods cannot reach a very high level. Because of this the main factor determining growth is still investment. The Japanese rate of investment at its highest was 47 percent and was maintained at 40 percent for a long period of time. The "four little tigers" have also reached in excess of 40 percent. Last year China's investment rate reached 36-37 percent, which is appropriate.

While the total social investment is growing at an ultra-high speed, there also exist the problems of a nonrational investment structure and low returns on investment. Qiu Quanning, an associate research fellow from the Investment Research Institute of the State Planning Commission, pointed out that: a) There has been a comparative reduction in personal investment in agriculture; in 1992 there was a negative increase and last year the rate of increase was only 10.2 percent—only one-fifth of the national average. At the same time, the per capita incomes of the close to 80 percent of the population who live in the countryside have fluctuated at a low speed for a long time, and the gap between their incomes and those of the population living in the cities and towns has gradually widened. This serious imbalance in the development of the economy has a negative impact on the maintenance of sustained, rapid, and healthy economic development, and

even on social stability. b) Since the beginning of the nineties, the increased investment in state-owned units has been constantly higher than the average rate for society as a whole. Last year the proportion of investment in state-owned units had already reached 70.8 percent, the highest since reforms were introduced 13 years ago. However, in the same year the industrial growth rate in state-owned industrial enterprises increased at a rate of only 9 percent, less than half the average for society as a whole. That is to say, state-owned enterprises were set in motion by investment higher than the social average, but their output yield was much lower than the social average. To centralize resources in low-yield sectors goes against market economics, and high input but low yield will inevitably result in a great wastage of resources. For this reason, the reform should be speeded up and investment policy and management structure need to be established and perfected, various unregulated government actions corrected and overcome, and the wasteful use of investment reformed in order to improve the benefits from investment.

#### **Although the Channels for Financing Decreased, the Financing Volume Was Still Large**

With regard to the sources of investment funds, Comrade Ma Ruohong of the People's Bank of China pointed out that between January and November last year, 47.8 percent of the investment for capital construction and renovation in state-owned units was self-funded, primarily from a large stock of money obtained by various means to support investment. After the disorderly accumulation of funds was stopped, although the channels for financing decreased, the financing volume was still large. In the first half of last year, self-funding amounted to 90.1 billion yuan, an increase of 69 percent over the same period in 1992. This shows that if there is a large amount of capital and household savings, then except when returns from investment are lower than the interest rate or when the government uses political measures to limit investment, investment will otherwise sustain high-speed growth.

Jia Fang, deputy leader of the Comprehensive Group of the Economic Research Center of the State Planning Commission, pointed out that from 1988 to 1991 foreign funds actually used averaged just over 10 billion yuan per annum; in 1991 this figure reached 11.5 billion yuan; in 1992 it grew to 19.8 billion yuan; and in 1993 it was approximately 30 billion yuan. This is a very influential factor. If the foreign exchange rate is calculated at six yuan (to the dollar), foreign funds used in 1993 amounted to approximately 180 billion yuan in fixed assets. Apart from this, there should also be funds to match the foreign currency. It has been estimated that in 1986 one dollar of foreign capital required a corresponding one yuan, while today one dollar calls for three yuan and in 1993 the corresponding capital would have been approximately 100 billion yuan. If we take last year's investment at the current increased rate of 50 percent, it is close to 300 billion yuan and means that China's investment has increased by 16 percentage points. The current situation is excellent in terms of opportunities in the international arena. At present, overseas interest rates have fallen 2-3 percentage

points, which presents a very good opportunity for a low-income developing nation such as China to use foreign capital.

**To Reduce the Remaining Inflationary Pressure the Key Is To Control Excessive Increases in the Rate of Investment**

Both the cost-push and demand-pull models of inflation exist at the same time, but there is the question of which is the principal factor.

Analyzed in terms of currency, Comrade Ma Ruohong pointed out that the current inflationary pressure is caused by the money supply being approximately 600 billion yuan in excess in the period from 1990 to 1992. Although the money supply was not excessive in 1993, there was no obvious tightening of the money supply. Because of this, hidden inflationary pressure continues to exist in 1994. If the scale of investment this year remains relatively large, the prices of investment products will continue to escalate. Added to this will be the concurrent influence of a rise in the prices of crude oil and coal and the reunification of the exchange rate, which will also in large part be reflected in the price of investment commodities. Whether or not the inflationary pressures left over from the past can be released this year depends on whether the current excessive rate of investment in fixed assets can be controlled at the reasonable level of approximately 20 percent. The rise in the retail commodity price index will depend on whether or not in 1994 we can stabilize the consumption behavior of those living in the cities and towns in terms of macropolicy. Before the rate of inflation can reach a lower level, if a high rate of interest can be maintained to stabilize consumption behavior, it will still be possible to control the retail price index to within single-digit figures.

From the perspective of the prices of the means of production, Dai Dingyi, deputy director of the China Materials and Equipment Information Center, remarked: Now that prices have been deregulated, and the channels at home and abroad have been opened up, the bottleneck in supplies for building up production will be reduced considerably. This bottleneck is mainly in communications, and for the most part raw materials are no longer the major factor. All we need is money, and then we can buy whatever China lacks from overseas. Both circulation and materials and equipment enterprises expect that the more investment the better. Price rises for the means of production are not the main reason for rising prices, but fluctuations in the economy have a profound effect on fluctuations in the production of capital goods.

Based on historical experience, this year's inflationary pressure will chiefly have an effect on inflation next year. Comrade Wang Yida noted that in 1993 the rate of currency circulation was 30 percent in excess, causing the general price level this year to rise by more than 8 percent. In terms of demand, the inflation caused by demand usually comes a little delayed, and the effect of the inertia of high investment in 1993 will be maintained for a time this year. Approximately 40 percent of investment will be transferred to consumption funds, and this transformation

will be reflected in the market. The main reason for the nation's economy being currently overheated is investment. Even if we adopt macroeconomic regulatory and control measures to gradually stabilize the prices of investment products and means of production, retail market prices and the prices of consumer goods will continue to rise for a time because of the costs. However, this year's measures for price reform and other reforms will, more or less, directly and indirectly, force prices upward. Because of this we must aim to control price increases to within 10 percent. Increases in the scale of investment must also be maintained within appropriate limits in order to ensure the sustained, rapid and healthy development of the economy.

**Beijing Commodity Exchange Daily Turnover Hits \$67 Million**

*HK1703074294 Beijing CHINA DAILY in English 17 Mar 94 p 2*

[By staff reporter Liu Weiling: "Commodity Exchange Deals Top \$67 Million"]

[Text] Beijing Commodity Exchange (BCE) reported a new record of daily transaction value on Tuesday with 590 million yuan (\$67.82 million) worth of contracts clinched.

Total trading included 2,080 contracts of corn, 5,400 contracts of treasury bonds, and 1,874 contracts of sugar.

Exchange officials said Tuesday's breakthrough represents another big stride for the exchange after its daily transaction value topped 300 million yuan (\$34.5 million) on March 8.

The exchange has experienced steady growth since it opened on November 18.

During the 50-plus trading days, total transaction value has topped 5 billion yuan (\$574.7 million).

Most of the deals took place in corn, sugar, beans, and treasury bonds, the exchange said.

More than 20 kinds of commodities in four sectors—agriculture, metals, energy and chemical products, and treasury bonds—are now bartered at the exchange's four pools, each with a capacity of 100 members.

So far, 225 member companies from the country's 25 [total as published] provinces, municipalities, and autonomous regions are conducting business at the exchange.

The BCE also boasts the country's biggest trading hall with a floor space of 1,800 square metres.

Meanwhile, with advanced equipment installed, the exchange's trading, clearing, risk management and information analyses are conducted by computer.

In addition, the exchange also releases its quotations to international news agencies like the Associated Press, Reuters and some Chinese information networks.

All of the deals clinched at the exchange are in standard contracts.



Qiao Gang, president of the exchange, said the final goal of the exchange is to develop itself into one of the most important futures markets in Asia.

The city built the exchange as a key step toward developing into an international metropolis and a modern financial and trade centre.

#### **Official Says Time Not Right for Third Bourse**

HK1703120994 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1337 GMT 14 Mar 94

[By Zhao Haiyan (6392 3189 3601) from the "Two Sessions Forum"]

[Text] Beijing, 14 Mar (ZHONGGUO XINWEN SHE)—Tong Zengyin, deputy director of the Securities Commission of the State Council and vice chairman of the China Securities Regulatory Committee, today denied there was a possibility of setting up a third securities exchange this year. He said that in view of the present situation in China's securities market, the time is not right for setting up a third exchange.

Tong Zengyin, who is a member of the Chinese People's Political Consultative Conference (CPPCC) National Committee and is attending the Second Session of the Eighth CPPCC National Committee here, said that the securities market in China is still in an experimental stage and the recent situation in the stock market is not quite satisfactory. This shows that securities markets in China are not yet mature. Under such circumstances, it would not be advisable to set up a new securities exchange.

Tong Zengyin said that as far as the country as a whole is concerned, all the securities exchanges are located in the south and there is no such market in the hinterland. Their location is irrational. He held that viewed from location, the number of securities exchanges should be increased, and it is necessary to site one in the north. The best way is to have securities exchanges in the north, south, east, and west.

He said that at present many localities have applied to set up a securities exchange, and where the new securities should be located depends on timing. When it is the right time to set up a new securities exchange, it will be necessary to look at market developments and find out what locality has the more developed market and needs a securities exchange. Besides, it is also necessary to find out whether or not advanced technology and telecommunications conditions are available for the formation of a market.

Tong Zengyin holds that the situation of the two securities exchanges in Shanghai and Shenzhen is not bad and the two exchanges are growing very fast. The securities exchange in Shanghai in particular has developed to a considerable size and is ready to merge with the international market. It has a very bright future.

#### **Official Comments on Banking System Reform**

HK2103134994 Beijing ZHONGGUO XINWEN SHE  
in English 1120 GMT 21 Mar 94

[Text] Beijing, March 21 (CNS)—Vice chairman of the State Council Securities Policy Committee, vice chairman of the China Supervision and Management Commission and member of the CPPCC Mr. Tong Zengyin said that the conditions would not be ready for foreign-funded banks to engage in RMB [renminbi]-related business until the Chinese commercial banking system had been established.

Mr. Tong said that China was reforming its banking system and owing to the state-owned professional banks being in the process of being switched to becoming state-owned commercialized banks, permitting foreign-funded banks to operate RMB-related business would be unfair competition prior to the establishment of the commercialized bank system in the country because of the great discrepancies in ways of management and the tax rate between foreign-funded banks and the domestically-funded banks.

The opening to foreign banks by any country, he said, should be based on its own realities and China, in line with its own situation, first permitted foreign banks to operate foreign currency business and would later create the conditions for them to open to RMB-related business.

Such opening, he added, would not be overall at the beginning. Places like Shenzhen and Xiamen, however, were permitted to open first since the ratio of major state-owned enterprises there was small, the economy there mainly dominated by the market economy and most of the banks there were commercial banks.

#### **Control of Fixed-Assets Investment 'Key' to Development**

HK2503053294 Beijing ZHONGGUO XINWEN SHE  
in English 1225 GMT 24 Mar 94

[Text] Beijing, March 24 (CNS)—The main task for macro-economic regulation of the financial sector set for this year is to place strict control of fixed assets investment in accordance with the state credit plan, the Vice President of the People's Bank of China Mr. Yin Jieyan said in a recent meeting. The results of such control, according to Mr. Yin, will be the key to development of the national economy this year.

The meeting centered on examination work by the banks nationwide, confirming that the main theme of financial supervision this year would concentrate on inspection of financial institutions with strict restrictions on the scale of loans for fixed assets investment by those institutions.

This year is very important, according to Mr. Yin, as it be the time when intensive restructuring of the financial system takes place. Following the change of functions by the central bank, it should concentrate on supervision and administration of financial institutions with strengthened inspection. Examination work would guarantee effective implementation of the restructuring of the financial system



and help financial enterprises develop in a healthy way while at the same keeping the financial system in order.

Mr. Yin stressed that inspection departments of various levels of the bank had to gather their strength to launch examination work on the control of loans for fixed assets investment in the second half of this year. They had to deal harshly with excessive releases of loans, loans coming from working capital and loans for speculation in real estate shares.

### Official Views Ways for Foreign Banks To Expand Business

HK2403121994 Hong Kong TA KUNG PAO in Chinese  
14 Mar 94 p 3

[By staff reporter Liu Yueh-ying (0491 4727 3841): "Dai Xianglong, Vice Governor of People's Bank of China, Speaks on the Four Conditions Needed for Foreign Banks To Expand Business in China"]

[Text] The Chinese Government once said that when the economy inside the country develops to a certain level, foreign banks can come to China in large numbers to set up branches. What is the current situation?

According to Dai Xianglong, vice governor of the People's Bank of China, China has a positive attitude toward foreign financial organizations which want to come to China to develop business, but because it involves the problem of changing China's financial system, many areas have to be considered and looked at carefully.

Regarding the question of whether foreign banks can also engage in renminbi business in China, Dai Xianglong frankly pointed out that the branches of foreign banks in China are mainly operating foreign exchange business, and that there are quite a number of them who have also wanted to operate renminbi business, but here several conditions have to be considered:

First, the management standard of mainland banks must go through a process of improvement and internationalization, and speaking in terms of the current conditions, the commercial banks inside the country do not have the ability to compete with the commercial banks from outside the country. Second, the main objects of service of the Bank of China are the enterprises which cannot operate completely on their own; when the state bank can rid itself of this burden and can release loans at its own discretion, it can then compete with foreign banks. Third, the tax rate among Chinese banks is different from the tax rate among the branches of foreign banks in China, and he said that after these three problems are solved, foreign banks can start operating renminbi business. "But we have already tried it out in Xiamen and some other areas, and we may expand the project in the future."

In addition, what must be stressed is that when foreign banks come to China to set up financial organizations, the main purpose is to arouse interest among investors in their own countries for investment in China, and not to completely rely on the operation of renminbi business in China to earn foreign exchange.

Talking about the intention of Taiwan's financial organizations to come to the mainland, Dai Xianglong said that in this area, Taiwan funds are somewhat the same as foreign funds, and the mainland will still handle Taiwan funds in the same way it handles foreign funds. However, a more lenient attitude can apply to certain areas; for example, when a foreign bank wants to set up a branch in China, it should have 20 billion [no currency as published] in capital and it will take three years for it to set up a representative office. When Taiwan's financial organizations come to China to do business, these rules can be lifted appropriately. He disclosed that, at present, 14 nongovernmental commercial banks in Taiwan have expressed an interest in setting up offices on the mainland.

### Expert Says Deficit in Permissible Range

OW1703074194 Beijing XINHUA in English 0714  
GMT 17 Mar 94

[Text] Beijing, March 17 (XINHUA)—China's deficit has been within a normal and permissible range, according to a Chinese financial expert.

"China's total debts for 1994 will come to nearly 130 billion yuan, which seems big," said Zhao Haikuan, honorary director of the Finance Institute of the People's Bank of China.

"This is the result of a change of accounting methods this year, and the change will not affect the actual size of the debt," he said.

"We formerly regarded what we borrowed as revenue income and included expenses on debt servicing in total expenditures; the shortfall between revenues and expenditures was regarded as the hard deficit," he said, who is also a member of the National Committee of the Chinese People's Political Consultative Conference.

Many experts and scholars at home and abroad expressed disagreement with this practice. To more clearly reflect the balance between the country's normal revenues and expenditures and the scale of debt, starting from this year, the country is using a different method of calculating the deficit, Zhao said.

Income from borrowing will no longer be included in total revenues. The entire deficit will be covered by issuing treasury bonds, instead of by loans from banks as was the case previously. As a result, the amount of the debt goes up accordingly, Zhao said.

This year 48.081 billion yuan for servicing domestic and foreign debts due for repayment will be covered by issuing treasury bonds and 14.245 billion yuan of new foreign loans will be used for the construction of key projects.

"All these factors lead to a seemingly big increase in the total debt," Zhao said.

However, Zhao pointed out, due to various factors, deficit is also a serious problem in China. To some extent, it will have a great impact on China's economy, which should be given due attention and should never be ignored, he warned.

On how to reduce deficit, Zhao said that from a long-term point of view it is imperative to bring money supply under strict control. Excessive issuing of currency is caused by too large an amount of deficit and vice versa.

He suggested that the state appropriately slow down the economic growth rate, pay more attention to efficiency and reduce the scale of investment into fixed assets.

In Zhao's view, the country's investment into fixed assets is not compatible with its national strength.

In addition, tax collection should be strengthened to avoid tax evasion, and administrative spendings should be cut, Zhao added.

### **Inflation 'Time Bomb' Remains 'Economic Scourge'**

HK2403103894 Beijing CHINA DAILY in English 24 Mar 94 p 4

[By staff reporter Wang Lingling: "Inflation Remains the Country's Economic Scourge"]

[Text] Though inflation continued to run loose in February, China's central authorities seem confident they can tie it down.

On Tuesday, Premier Li Peng said the government would do its best, with the nation's help, to keep the retail price index below the budgeted 10 percent.

However, it will be a tough task as the pressure powering inflation is growing, and in January and February, retail prices rose 20 percent higher than in the same period of last year, said the State Statistics Bureau (SSB).

So dealing with the problem has become a priority.

It will mean sharply cutting investment in fixed assets and the strict control of consumer spending, which was agreed at a forum on monetary policies held recently in Beijing.

The capital's financiers decided the central People's Bank of China should throttle the broad money supply to deal safely with inflation's time bomb.

Economists believed runaway inflation inevitably leads to a decline in people's living standards and threatens economic and social stability.

The SSB said people's living standards in some cities plunged as much as 40 percent last year.

And farmers, who make up about 80 percent of the population, are no happier than their urban counterparts.

The statistics showed their real per capita income remained more or less static last year.

Most economists said two main factors were causing the current rise in inflation.

One was hefty investments in fixed assets, the other was the explosive increase in consumer spending.

Investment in fixed assets grew by 47 percent last year, while production advanced only 10 percent, said Yu Tianyi, professor from the China Finance Institute.

To curb rocketing investment in fixed assets and real estate, the country put the brakes on the money supply in the second half of last year.

However, the move failed to retrieve most of the capital which had by then become reinforced concrete. Instead, working capital was squeezed, slowing the growth in production.

Yu said holding down investment in fixed assets would need administrative measures backed by stern monetary policies.

The government has resolved to slow the country's economic growth this year, said Premier Li Peng, in his keynote speech to the National People's Congress (NPC).

The target is a 9 percent growth rate, four per cent lower than the figure for the last two years.

To hold down the growth in fixed assets investment while maintaining modest economic progress, the central bank should impose strict controls over credit and loans, economists say.

However, that does not mean shutting down the money supply indiscriminately.

Nationwide investment should focus on propping up essential industries and agriculture and helping loss-making State enterprises to improve their technology and production capacity.

These targets will only be achieved if governments, State enterprises and banks speed up internal reforms and improve their management.

However, some economists support a more flexible credit policy to sustain backing for ailing State enterprises.

For their ability to pay back loans may decline if their investments reduce sharply said Dai Genyou, an official with the People's Bank of China.

The other cause of inflation is the huge rise in spending.

The tight monetary policies imposed late last year have held down the prices of production materials, but had little effect on consumer goods, said Dai.

Economists trace rising prices to the lifting last year of controls on the cost of most consumer goods. The problem has been further fueled by people's increased spending power as their wages go up.

Dai said a third of State enterprises were in the red last year despite considerably increased production. Much of their cash was used to finance the rapid growth in employee's wages.

China should cap pay rises in order to restrain the growth in the retail price index, said Dai.



**More Sectors Reportedly To Open to Foreign Investment**

HK2403101694 Beijing CHINA DAILY in English 24 Mar 94 p 1

[By staff reporter Qiu Qi: "More Sectors Will Open to Foreign Investors"]

[Text] More sectors will be open for foreign capital in the future to boost overseas investment in China, a senior foreign trade official said in Beijing yesterday.

China will admit overseas investors to such sectors as real estate, commercial retail sales, finance, insurance, and cargo and transportation agency services and consultancies.

But such moves must be made on the basis of mutual benefit, said Jiao Sufen, director of the foreign investment division under the Ministry of Foreign Trade and Economic Co operation (Moftec).

Jiao said that foreign-funded projects must be in tune with China's economic development. They may be guided into such sectors as machinery, electronics, heavy chemicals, new materials, automobiles and automation equipment.

She called for keen efforts to buoy export-oriented foreign-funded firms, transform aged enterprises, upgrade technology and equipment, and further improve quality to boost the competitiveness of China's products on the world market.

Jiao signalled a halt to overseas investment in ordinary labour-intensive, simple processing and assembly projects as well as those involving products that are difficult to export.

Instead, Jiao encouraged overseas investors to develop the energy, transport, raw materials and agricultural sectors.

The official vowed to further improve China's investment climate and provide better services to foreign investors.

China encourages trans-national companies to finance the country's infrastructure and high-tech industries, Jiao said, adding that they could either invest in a specific project or get involved by transferring and purchasing State assets, stocks and securities.

Optimistic about the future of overseas investment, Jiao said China now enjoys political and social stability, a fast-growing economy, and a long-term blueprint for economic development.

Since the country opened to the outside world in the late 1970s, China has approved more than 174,000 foreign-funded ventures with contractual investment totalling \$221.3 billion and real investment hitting \$60 billion.

Last year alone, the Chinese Government ratified more than 83,200 foreign-funded enterprises involving \$110.5 billion in contractual volume and \$25.8 billion in real overseas investment.

**Foreign Banks' Role as Lenders Expected To Change**

HK2303150994 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1124 GMT 10 Mar 94

["Special feature" by reporter Hong Wen (3126 2429)]

[Text] Hong Kong, 10 March (ZHONGGUO TONGXUN SHE)—A Hong Kong banker pointed out: As the Chinese mainland speeds up the pace of financial structural reform, new changes are taking place in the mainland's overseas lending activities and the traditional policy loans are increasingly giving way to commercial loans. Under this tendency, foreign banks' traditional practice of getting involved in the mainland's lending activities is expected to face a challenge.

Wu Lien-feng, deputy general manager of the Nanyang Commercial Bank, informed this reporter: In the past, on the mainland under the planned economic structure, short-term commercial loans from outside the borders were guaranteed by specialized state banks, and foreign banks also used to accept loans of this form. Nevertheless, in recent months this traditional pattern has been gradually broken.

Basing his statements on analysis, he said: China has increasingly come to realize that financial structural reform is the "dragon head" of transition to a market economy, and in the second half of last year, it was determined to carry out reform as quickly as possible. The most eye-catching move was to transform the four major specialized banks from policy into commercial banks. To put in another way, the role of the four specialized banks in overseas policy loans as a guarantor will be gradually diluted so as to enable them to concentrate their resources on businesses as commercial banks.

As a Hong Kong bank which was the earliest to set up a China internal business department and branches in the mainland's special economic zones, the Nanyang Commercial Bank has closely watched the relevant changes and adopted active measures to participate in the mainland's financial reform, such as readjusting its China business strategy and expanding the scope of operations. According to Mr. Wu, his bank took the lead in organizing a \$40-million international syndicated loan with the China Ocean Shipping Company acting as a guarantor rather than borrowing from any financial institutions on the mainland. Moreover, the Nanyang Commercial Bank recently provided commercial loans worth millions of U.S. dollars to a car parts manufacturing plant in Guizhou Province. This was the first batch of commercial loans extended to the province by the Bank of China Group.

In addition, according to statistics, although China was active for a while in extending syndicated loans to outside financial institutions in the second half of last year, the number of loans with specialized banks acting as a guarantor was very limited. They were mostly guaranteed by local financial institutions, such as the Guangdong Development Bank and the Pudong Development Bank.



However, because the credibility ratings of local banks are relatively low and their financial strengths are not enough to cope with the huge market demands, some bankers are worried that the recent briskness will not last long and the lending activities of mainland enterprises outside the borders may be adversely affected.

People in the industry pointed out: Although foreign banks universally adopt a careful approach toward the changes, many of them are also seeking a breakthrough and making active preparations, because from a long-term point of view, China's financial reform is conducive to absorbing foreign capital. Therefore, it would be better for them to become actively involved, promote the changes with good intentions, and expand their businesses while adapting themselves to the changed situation rather than looking on with folded arms and letting a golden opportunity slip by.

#### Article Views Illegal Practices of Foreign-Invested Firms

HK2403071694 Beijing ZHONGGUO XINWEN SHE  
in Chinese 0835 GMT 9 Mar 94

[Text] Hong Kong, 9 Mar (ZHONGGUO XINWEN SHE)—The advantages of introducing and utilizing foreign capital for modernization in China has been acknowledged by people throughout the world. However, with the increase in large numbers of foreign-invested enterprises, the number of law violations related to such enterprises is also increasing. Because of this, personalities of economic circles and even of academic circles have put forward this question: Are we using foreign capital or are we being used by foreign capital?

An article entitled "Cool Thinking in Foreign Capital Fever" published in the "Economic Square" column of the latest issue of ZHONGHUA WENZHAI [China Digest] has incisively raised this question, which must not be neglected, urging people to think and observe calmly.

The article points out that one of the inharmonious shadows is "false joint ventures and deceptive practices," that is, some enterprises are only joint ventures in name, but are enjoying preferential treatment for joint ventures. In recent years, many cases of this "false Sino-foreign joint venture disease" have been found and the "disease" seems to be spreading. In these false joint venture enterprises, the foreign side is usually not committed to investing, but collects one-time "service charges" or takes in regular "cooperation fees" of a certain percentage. What is particularly worthy of our attention is that some foreign businessmen with ulterior motives have sought "wedding ties" of this kind on their own initiative, have gained capital by cheating, and have then fled with the money.

The second is "exaggerating the amount of investment to build oneself up." Over a very long period, there has been a phenomena of exaggerated investment: the foreigners' visible assets—passing old equipment off as new equipment, inferior equipment as superior equipment, and low-price equipment as high-price equipment. A foreign businessman negotiated five identical joint venture projects with several provinces and municipalities in

China and imported five sets of equipment at \$2.4 million each. During the later inspection by commodity inspection departments, all these five sets of equipment were pieced together abroad, and their total price was only slightly over \$900,000.

The third is "declaring losses instead of profits to evade taxes." In recent years, some foreign-invested enterprises have resorted to various tricks to evade taxes, the most common being is to "declare losses instead of profits." In 1991, a total of 4,838 foreign-invested enterprises declared losses totalling 3.66 billion yuan in Guangdong Province, accounting for 53 percent of enterprises involved in remittance settlement. As a result, quite a few joint venture enterprises have emerged which "always suffer losses" but will "never close down," and which have been constantly expanding their scale of production. These enterprises are in reality reaping more and more profits with each passing year.

Besides, there are numerous other tricks which have appeared one after another, such as using foreign capital as a pretext for smuggling, making profits by exaggerating the amount of capital introduced and covering up the amount of capital taken out, fleeing to avoid paying debts, and so on.

In conclusion, the article pointed out that the participation of some foreign businessmen in illegal activities is not something new. Such activities have existed for the past 13 years. They have become especially conspicuous, because the number of foreign-invested enterprises has increased greatly. Because foreign-invested enterprises are special by nature, effective techniques for managing domestic enterprises may not work in the management of foreign-invested enterprises. Therefore, many urgent problems require a prompt solution by the departments concerned, and better regulations and rules should be formulated so that the foreign capital fever can truly give impetus to rapid economic development in China.

#### Harvard-Trained Economist Appointed to Research Institute

HK2403090694 Beijing ZHONGGUO XINWEN SHE  
in Chinese 0732 GMT 12 Mar 94

[By Tian Huiming (3944 1920 2494)]

[Text] Fan Gang, a middle-aged economist who is quite famous on the mainland, was appointed vice director of the Chinese Academy of Social Sciences Economics Institute a few days ago.

The Economics Institute is a comprehensive research institute engaged in research on the macroeconomy. Most of the institute's former directors and vice directors have been seasoned economists.

Fan, 40, went to the Great Northern Wilderness in north-east China to join the local production and construction corps in the 1960's. He was admitted to the Economics Department of Hebei University in 1978 and to the Postgraduate Institute of Economics of the Chinese Academy of Social Sciences in 1982. He then received

Master's and doctorate degrees. From 1985 to 1987, he was at Harvard as a visiting scholar. Since 1988, he has worked with the economics institute.

Fan's ideas are dynamic and he is an industrious writer. He has published many books, of which the important ones are: *Theoretical Outline of Publicly Owned Macro Economy*, (he was the principal author of this book); *Comparison and Synthesis of Three Major Contemporary Economic Theoretical Systems*; and *Progressive Path—Economic Ideas in Economic Reform*. He has also published over 100 academic papers with two million characters in total, including "Gray Market Theories" in JINGJI YANJIU [ECONOMIC RESEARCH] and other academic journals. His work has had a rather big impact on theoretical circles. In 1992 he was promoted to the Chinese Academy of Social Sciences as a researcher, which was an exception to the rule, and was conferred with the title of a state-level middle-aged and younger expert, as he had made outstanding contributions, and in 1993 he became one of the youngest tutors of doctoral students in social science circles.

Recently, the Chinese Academy of Social Sciences has boldly promoted a number of middle-aged and younger scholars to leadership positions. Li Peilin, 39, was appointed vice director of the Institute of Sociology; Cai Fang, 37, vice director of the Institute of Population Studies; Zhao Xiping, 39, vice director of the Institute of Research on World Religions; and Zhao Yifan, over 40, vice director of the Institute of Foreign Literature.

#### Ministry Invites Local Heads To Serve as Consultants

OW2403072594 Beijing XINHUA in English 0651 GMT 24 Mar 94

[Text] Beijing, March 24 (XINHUA)—Some 25 village and township heads have been invited to be consultants to the Ministry of Construction on China's village and township development.

The ministry has invited over 40 local officials whose villages and townships rank among the best in construction and development to attend a meeting held in Beijing, asking for their opinions and suggestions in the field.

China has a total of 3.75 million villages and 37,000 townships. The Chinese Government attaches great importance to their construction and modernization in the current reform and economic development drive.

In recent years the country has seen large numbers of modern towns with good layout, environment, and industrial and commercial strengths emerge in rural areas.

Construction Minister Hou Jie and Deputy Construction Minister Mao Rubai have issued letters of appointment to the 25 consultants.

Hou said the booming rural economy has promoted the development of township construction.

While talking with some village and township heads, Hou found that many of them have rich experience in local development.

The 25 consultants were selected as representatives from developed areas in the east, south and coastal regions, and from underdeveloped areas of the west, north and central parts of the country.

#### Nearly 5,000 Townships, Towns Earn 100 Million Yuan Yearly

HK2403135794 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0809 GMT 15 Mar 94

[Text] Beijing, 15 Mar (ZHONGGUO TONGXUN SHE)—The Center of Chinese Rural Social and Economic Assessment said a few days ago that last year, as far as the gross rural social output value was concerned, 4,989 townships and towns throughout the country exceeded 100 million yuan, including 72 townships and towns each earning over 10 billion yuan, and 434 townships and towns each earning over 500 million yuan.

The 10 best townships and towns according to the total rural social output value were in the following order: Caigonghuang Township of Jinghai County, Tianjin Municipality; Qianzhou Township of Wuxi County, Jiangsu Province; Shengze Town of Wujing County, Jiangsu Province; Beijiao Town of Shunde City, Guangdong Province; Guizhou Town of Shunde City, Guangdong Province; Ninghai Town of Mouping County, Shandong Province; Xinzhaizi Town in Ganjingzi District of Dalian City, Liaoning Province; Maqiao Township of Minxing Prefecture, Shanghai Municipality; Zhouzhuang Town of Jiangyin City, Jiangsu Province; and Lianhe Town of Wuxi County, Jiangsu Province.

These townships and towns had the following major characteristics:

Great rural economic strength. Townships and towns earning 100 million yuan only accounted for 10 percent of the total number of townships and towns of the whole country, and their rural population accounted for 20 percent of the national rural population, but they created 50 percent of the gross rural social output value and two-thirds of the gross rural industrial output value of the whole country.

A high level of rural industrialization. The nonagricultural output value of townships and towns earning 100 million yuan accounted for 88.2 percent of the total, which was 24 percent higher than the national average. Of this, the nonagricultural output value of townships and towns earning over 1 billion yuan accounted for 95.8 percent, which was 31 percent higher than the national average; whereas the nonagricultural output value accounted for 94.5 percent, which was 30 percent higher than the national average.

Township and town enterprises are the backbone of townships and towns earning 100 million yuan. The output value of township and town enterprises from townships and towns earning 100 million yuan accounted for 52.8



percent of the national output value of township and town enterprises. The average number of personnel working in each of these enterprises was 8.81, which was 73.8 percent higher than the average national level, and the number of personnel working in each of the enterprise from townships and towns earning 1 billion yuan was 25.2, which was 300 percent higher than the national average level. The labor force of township and town enterprises from townships and towns earning over 100 million yuan created an average output value of 27,000 yuan, which was 62.6 percent higher than the national average; and every enterprise paid an average tax amount of 25,500 yuan, which was 300 percent higher than the national average.

Townships and towns earning 100 million yuan spread over economically developed coastal areas. Viewed from the distribution of townships and towns earning 100 million yuan, Jiangsu Province ranked first in the country and had 949 such townships and towns, which accounted for nearly 50 percent of the total number of such townships and towns. The order continued: Shandong Province had 892 such townships and towns, Zhejiang Province had 538 such townships and towns, and Guangdong Province had 425 such townships and towns.

#### Progress Made in Social Security System

OW2403135394 Beijing XINHUA in English 1332  
GMT 24 Mar 94

[Text] Haikou, March 24 (XINHUA)—China is making a breakthrough in setting up a social security system to meet the demand of the ongoing market economy reform, an official with the Ministry of Labor said.

Jiao Kaiping, who is in charge of social security affairs under the ministry, made the remarks at a recent international symposium held in Haikou, capital of Hainan Province.

Jiao said that ever since 1984, China has exerted great efforts to establish a social security system concerned with pensions, unemployment, medical care and job injuries.

Before 1984, the heavy burden of pension insurance was shouldered only by enterprises, while at present, the insurance premium is pooled from three sources, namely the state, enterprises and individuals.

By the end of 1993 China had spread an overall pension insurance system among state-run and collective enterprises. In some economically-active coastal areas, pension insurance was instituted to cover employees in various kinds of enterprises run by foreign businessmen, private concerns, townships and towns.

China's unemployment insurance system now covers more than 74 million workers in some 470,000 state-run enterprises.

In accordance with regulations issued last April by the state, the unemployment insurance system will be extended to include non-state enterprises.

In addition, overall social insurance targeting job injuries and medical treatment is being instituted in an attempt to ease the burdens of enterprises.

#### Conversion of Military Technology to Civilian Use Discussed

HK2403121794 Beijing RENMIN RIBAO OVERSEAS  
EDITION in Chinese 10 Mar 94 p 4

["Economic commentary" by Shen Gang (3088 6921): "Lifting the Veil of Mystery—on the Conversion of China's Defense Industry to the Production of Goods for Civilian Use"]

[Text] The conversion of the defense industry to civilian use has long been a familiar topic in the Chinese media—the process of converting China's defense industry to civilian use has continued for 15 years. Today, the experience of China's success in converting its defense industry to civilian use is drawing worldwide attention.

According to the latest statistics by authoritative persons, in 1993 the output of goods for civilian use produced by China's defense industry increased by more than 30 percent over the previous year, or higher than the growth rate of China's industrial output, and the proportion of civilian goods in the total output value of the defense industry sharply rose from 8.1 percent 15 years earlier to 77.4 percent.

Defense industry technology has passed out of its former mysterious colors and is benefiting tens of millions of ordinary people. People are enjoying more and more the fruits of the peaceful use of defense technology. Today, more than 50 percent of China's cameras are produced by defense industry enterprises, and 65 percent of bicycles are produced by defense industry factories. The "minibuses and cabs" on the streets of Beijing already have a bigger transportation capability than the subway, and three quarters of these yellow minibuses and cabs were produced by munitions factories. By employing nuclear radiation technology, China has cultivated 325 new farming species, adding an output of 4 billion kg of grain and an output of 200 million kg of cotton each year. The shipbuilding industry, which could only produce warships and gunboats in the past, can now manufacture technologically advanced roll-on, roll-off freighters, shuttle tankers, and scientific research ships. The annual tonnage of ships manufactured by China already ranks fifth in the world. Its aircraft industry not only can produce batches of the "Yun-7" and "Yun-11" civilian planes, but is successfully cooperating with large multinational corporations like Boeing and McDonnell Douglas. The launching of the Australian satellites, in which the Chinese take pride, Beijing's electronic collider, and the Yangpu Bridge are all good examples of "converting defense industry into civilian use." The new Qinshan Nuclear Power Station produced 1.4 billion kilowatts in 1993, and the Daya Bay Nuclear Power Station was already put into trial use.

In the early 1980's, with foresight toward the changes in the world situation, China made a historical step in the conversion of the defense industry into civilian use. From

1986 onward, the conversion of the defense industry into civilian use was officially incorporated into the state plan. In the Seventh Five-Year Plan and the Eighth Five-Year Plan, the state invested over 10 billion yuan in loans and prepared over 700 projects for civilian use, with the result that over 70 percent of defense industry enterprises now possess their own civilian products. At the same time, over 2,000 military technologies had their secrets cracked, some of which have been developed for the production of civilian products.

Since the beginning of the 1990's, China's peaceful use of defense industry technology has already become a world trend. In converting defense industry technology into civilian use under a market economy, China has new challenges from the structure, capital, and the market.

China's defense industry enterprises have come out of the closed door and are striving for survival and returns. Some defense industry enterprises, which "kept foreigners at a distance" in the past, have now set up joint ventures with foreign enterprises. In Sichuan's Chongqing, Henan's Luoyang, and Guangdong's Shenzhen, a number of Sino-foreign-funded automobile, motorcycle, and electronic enterprises have imported foreign capital and management systems. The joint-stock system is beginning to be tried in the defense industry. Following the change of the Huanghe Television Factory, the Feiyada Watch Factory, and the Guangzhou Shipbuilding Factory to the joint stock system on their original foundations, the Hainan Peace Industries Limited, a large joint-stock group formed by the aeronautic, shipbuilding, aerospace, and nuclear industries and banking institutions, has been set up. This type of capital-concentrated economic entity, which has been separated from many parent enterprises, does not have an administrative supervisor and is powerful as a fist, winning huge room and opportunities for the development of conversion of the defense industry into civilian use.

Experts of the state's decisionmaking authorities are exploring how to change the passive maintenance of the defense industry to its active "downsizing." Leaders of the State Council have also proposed considering the idea of concentrating the production of military products so that their production is to the full capacity, promoting technological progress and the improvement of returns, while, on the other hand, doing their best to orient the production of civilian goods to the market so as to change the current situation in which investment in the conversion of the defense industry into civilian use is scattered, too wide a scope is embraced, and returns are unsatisfactory. In this way, defense industry enterprises can maintain their productive vitality and shirk the passivity of a heavy burden. At present, people with insight in the economically developed areas of the eastern coastal areas have already seen the catalyzing role of this idea in economic development. They also find the advantages of manpower, technology, and equipment in defense industry enterprises. A number of cities in Jiangsu, Zhejiang, Shandong, Guangdong, and Hainan have set up technological and industrial areas for the conversion of the defense industry into civilian use. They use land, capital, and policies to attract defense

industry enterprises to go there for the purpose of converting the defense industry into civilian use. By utilizing defense technology in a peaceful way, China's economy can ultimately develop steadily and in a sustained way in the world's economic setup.

### Gold Industry Under Reform, Seeks Foreign Partners

HK2303150894 Beijing GUANGMING RIBAO in Chinese 2 Mar 94 p 4

[By reporter Li Shuxi (2621 2885 0823): "The Gold Industry Is Being Made Part of Market Economy"]

[Text] The gold industry, which occupies a special position within the economy of our country, has undergone great changes and reforms since 1993. Gold enterprises have now left the rigid control of the planned economy and the pattern of solely relying on state policy for development, and have entered the great sea of the market economy.

China is a big gold-producing and gold-consuming country. Since reform and opening up, our country's gold industry has rapidly developed and our gold production ability has increased five times. In order to expedite the development of the gold industry in our country so as to meet the needs of market economy, reform, and opening up, the state has tremendously reformed the system of production and management of the gold industry.

First, reform of the system. The State Administration of Gold Control has been abolished, and the management system combining the government and enterprises has been changed. The China Gold Company, which is now under the leadership of the Ministry of Metallurgical Industry, has really become an economic entity, and "the company has the right to occupy and utilize according to law the assets granted to it by the ministry for operation and management, as well as the right to reap profits from the assets and take disciplinary actions regarding the assets."

Second, reform of policy. Our country has carried out a reform of the pricing system of gold beginning in September 1993, and the purchasing price of gold inside the country has been increased 80 percent in one stroke, so that it matches the gold price in the international community. However, the preferential policy and favorable treatment provided by the state to gold enterprises has been canceled. For example, the development of the gold industry no longer enjoys low-interest bank loans; gold mines no longer enjoy preferential tax waivers or reductions, but must pay value-added taxes, resource taxes, and geological resource compensation fees; the system of retention of foreign exchange by gold enterprises has been abolished, and so on. All of these work to strip gold enterprises of their patron saint, so they can only enter the market and develop and compete according to market laws. At the same time, the state will gradually open up the gold market, and gold will gradually lose its original currency role and enter the market as a commodity.



Third, expand opening up. The state has agreed to let the gold industry carry out pilot projects for attracting foreign capital to develop China's gold mines, and the Ministry of Metallurgical Industry has granted the China Gold Company the corresponding rights. A person in charge of the China Gold Company told this reporter that the company will first open up some low-grade gold mines which require hard effort in ore dressing, to carry out limited cooperation with foreign businessmen. Foreign businessmen have been responding to the idea very enthusiastically and have come to China to discuss cooperation. On 20 January, Xu Daquan, vice minister of metallurgical industry, said when meeting the gold delegation led by former Canadian Prime Minister Mulroney that China welcomes powerful foreign companies coming to China for cooperation. Cui Lan, chairman of the board of directors of the China Gold Company, said during an interview with this reporter that, when we attract foreign capital to develop gold resources, we are not doing so merely for attracting funds; it is more important that we grasp the opportunity to learn advanced technology and management experience from developed countries through cooperation in development. The company has already reached cooperation agreements with some advanced companies from abroad.

Cui Xiwu, general manager of the China Gold Company, said that, along with reforms of the gold price system and industrial system, our country's gold production and management system and operation strategy will change in five directions: From the pattern in which the China Gold Company oversees administration and shoulders unlimited responsibilities while its subordinated enterprises operate in a scattered manner to the pattern whereby the company is a shareholding state company while its subordinated enterprises become the main body for production and operation; from the pattern in which the company operates mainly to discharge government duties and functions to the pattern whereby the company completely becomes an enterprise which runs the business entities well and realizes consortium-like operation; from the pattern in which the company monopolizes business and carries out construction with its own funds, to the pattern whereby it actively utilizes domestic and foreign funds and realizes joint-venture operation with funds from within and without the country; from the pattern in which the company only engages in gold exploration and dressing to the pattern whereby it promotes gold products, develops areas to which gold products can be applied, and diversifies operation so as to transcend various trades; and from the pattern in which the company uses only domestic resources to the pattern whereby it uses both domestic and international resources, and walks toward internationalized operation incorporating both the domestic and international markets.

#### **Banks To Ensure Funds for Farm Production**

OW2303134494 Beijing XINHUA in English 1257  
GMT 23 Mar 94

[Text] Beijing, March 23 (XINHUA)—China's banks are to pool more money to ensure that agricultural producers

have enough funds, in good time, to buy the necessary farming supplies, according to a new official circular.

It was issued jointly by the People's Bank of China, the Bank of Industry and Commerce, the Agricultural Bank and the Bank of China.

It urged that steps should be taken to give priority to the supply of working capital for farm production necessities such as chemical fertilizers and pesticides.

The banks should provide the working capital in good time for the producers and suppliers of fertilizers and pesticides who have adequate resources and production environment and whose products have gained favor with farmers.

Priority should be given to the money supply, including foreign currency, for imports of such products approved by the State Council.

To ensure that farmers can carry out their seasonal work, loans to them should also be distributed in good time, the circular stated.

#### **Lancang River Becomes Key Energy Development Base**

OW2303094494 Beijing XINHUA in English 0728  
GMT 23 Mar 94

[Text] Kunming, March 23 (XINHUA)—Southwest China's Lancang River and its valley are being developed into a key state production base for energy.

"The overall development of the Lancang River and its valley is the largest project of Yunnan province and requires the efforts of several generations," He Zhiqiang, governor of Yunnan, said.

According to the governor, geological prospecting in the area started in the 1950s.

According to the blueprint, work on the upper reaches of the Lancang River, from Deqin County to Yongping County, will focus on the development of mineral resources, and work on the middle and lower reaches of the river will concentrate on hydroelectric power stations.

The largest nonferrous metal industrial production base in southwest China is scheduled to be located on the upper reaches of the river, where lead, zinc, antimony, copper, asbestos, salt and marble abound.

Eight hydroelectric power stations and two reservoirs will be built at different altitudes along the river.

Upon completion, these power stations will have a total installed capacity of 13.7 million kw and generate 70.9 billion kwh a year, making the valley the largest energy production base in southwest China.

In addition, on the lower reaches of the river tourism resources will be developed, together with production bases for tropical cash crops and research bases for rare plants and animals.

The Lancang River rises in the Tanggula Range, Qinghai Province, and flows through the Tibet Autonomous

Region and Yunnan to Laos, Myanmar [Burma], Thailand, Cambodia and Vietnam, and thence to the sea. After it flows out of China, the river is called the Mekong River.

The basin of the 1,240-km-long section of the river in Yunnan covers 91,000 sq km, including eight prefectures in the southwest China province.

Experts here agree that the hydropower potential amounts to 26 million kw, including 20.73 million kw available for immediate development.

As early as in 1988 the Chinese Government listed the Lancang River and its valley as one of the state's 19 major zones for development.

Through seven years of effort, the first hydroelectric power station—the Manwan Station, with a combined installed capacity of 1.5 million kw able to generate 7.9 billion kwh a year—has been erected on the river.

Construction of the second one—the Dachaoshan Power Station with an installed capacity of 1.26 million kw able to generate 7.5 billion kwh annually—is in full swing. It is expected to go into operation by the end of this century.

Preparations for building the Xiaowan Power Station, with an installed capacity of 4.2 million kw able to generate 17.8 billion kwh annually, is well under way.

Located 265 km from Kunming, capital of the province, construction of the station will start in 1996 and it will go into operation in 2007.

The project is being built jointly by Yunnan and Guangdong Provinces and two state departments.

According to the governor, Yunnan will seek multi-sided co-operation in constructing the remaining five power stations.

Since 1990 China has co-operated with Laos, Myanmar and Thailand in surveying and developing the upper reaches of the Mekong River.

#### **Inland Areas 'Extremely Valuable' for Investment**

*OW2303091494 Beijing XINHUA in English 0824 GMT 23 Mar 94*

[Text] Chengdu, March 23 (XINHUA)—The inland areas of China are extremely valuable for investment due to their large territory, rich resources, big population and huge market potential, a Hong Kong business V.I.P. told XINHUA recently.

Tsui Tsin-tong, chairman of the New China Hong Kong Group Ltd., made the remark at a contract-signing ceremony on the building of a four-lane 90-km express highway linking Chengdu, capital of south-west China's Sichuan Province, with Mianyang city.

Tsui is also a member of the Standing Committee of the National Committee of the Chinese People's Political Consultative Conference and an adviser on Hong Kong affairs to the State Council, China's highest governing body.

The Hong Kong company will pay for 60 percent of the nearly 1.4 billion yuan (about 160.9 million U.S. dollars) total cost of the freeway project, which is the largest cooperative project between Sichuan and overseas investors.

Tsui was of the view that at present most overseas businessmen tend to put their money into China's coastal areas, and into the real estate sector in particular, and that such an investment pattern is improper anyway. It will only result in greater discrepancies between rich and poor areas.

He believed that responsible and farsighted industrialists had better invest in China's broad inland areas to improve local infrastructure facilities by building more highways, ports and similar facilities, and they would certainly get profitable returns.

Taking Sichuan as an example, Tsui said that the province has a population of more than 100 million, and its annual retail sales total is only next to Guangdong, one of the economically booming provinces in China. In addition, Sichuan has abundant mineral resources and various other products, together with an industrial, scientific and technological might. An upgraded infrastructure would certainly lead to the province's fast economic growth.

Previously, Mr. Tsui has established an automobile company and an investment and development company in Sichuan Province, both of which are running well.

He said that while investing more in the inland areas of China, he will also motivate more other overseas funds to these areas.

Together with Tsui, an inspection group of some 70 people, including 15 representatives of large Hong Kong banking firms, showed great interest in investing here.

#### **Large State-Owned Factory in Sichuan Declared Bankrupt**

*HK2403014894 Beijing ZHONGGUO XINWEN SHE in English 1348 GMT 23 Mar 94*

[Text] Chengdu, March 23 (CNS)—Following the bankruptcy of a knitting mill in Chongqing last year, Sichuan Province has seen another such case with a state-owned dyeing factory with debts of over RMB [Renminbi] 100 million being declared bankrupt by a court recently. This is the first time since the implementation of the bankruptcy law for a Sichuan court to hand down a bankruptcy order involving such a large sum of debts.

The dyeing factory went into operation in Neijiang city in 1987 and it suffered losses because of poor management, unsuitable equipment, low grade of products, high costs and a continuously weak market for textiles. Not a single improvement was seen even though the factory received various kinds of help and it was forced to stop production in December, 1992. The 1,040-strong staff received a minimum monthly wage to meet their living expense. The factory saw accumulated losses of RMB 47,829 million while its fixed assets was put at RMB 56.987 million with



gross liabilities of RMB 104.81 million. The factory applied to the court on January 25 this year for bankruptcy.

The court ruled that the factory was unable to service the due debt and a bank loan for the factory was stopped. A deferred settlement was considered more damaging to the state while the factory met the requirements set out in the bankruptcy law. The court finally handed down a bankruptcy order to the factory and a clearance team was set up to deal with the debt servicing matter.

The local labour and employment departments have worked out certain measures to settle the situation regarding the workers of the defunct factory. They will be entitled to employment in the factory after reorganization, to seek jobs in other business entities or undertake other kinds of career by tendering their resignation from the factory.

#### Minister Notes Worsening Water Shortage

OW2203131494 Beijing XINHUA in English 1252  
GMT 22 Mar 94

[Text] Beijing, March 22 (XINHUA)—China's water shortage has worsened as a result of booming economic and social development and pollution, Chinese Minister of Water Resources Niu Maosheng said here today.

Speaking at a rally today marking the Second Annual World Day for Water, the minister said that China's per capita share of water reserves has been decreasing.

In China it amounts to 2,400 cubic meters per head, only about one fourth of the world's average and ranking 88th in the world, said the minister.

He attributed the booming economic and social development, population growth and pollution to the decrease.

According to the minister, China took the lead in the world by mapping out "China's Agenda 21", a national strategy for sustainable social and economic development, which gives priority to protection and efficient use of water.

The strategy was drafted in response to the call made by the United Nations Environment and Development Conference held in Brazil, which stressed protection of natural resources and sustainable development.

China has been investing heavily, and will continue to do so, in water conservancy projects, he added.

Work on preparatory projects for the huge Three Gorges Water Conservancy Dam on the Chang Jiang River is in full swing. The scheme will create the world's most powerful hydro-electric plant and a huge reservoir.

Work on other large water conservancy projects, such as Xiaolangdi and Wanjiashai, which it is estimated will cost billions of U.S. dollars, has begun or is soon to start.

Another costly diversion project has been listed on the agenda of the Chinese Government. It is designed to divert water from the Chang Jiang River northward to Beijing,

Tianjin, Hebei Province and Henan Province, which are suffering from water shortages.

Romulo Garcia, acting resident representative of the United Nations Development Program (UNDP) in Beijing, said that in recent years UNDP had been involved in a number of initiatives to assist the government in its water related programs.

The programs include the northern China water management project, the rural water supply and sanitation in poor and remote areas project, and the assessment of China's water sector in Guizhou Province and master plan for the development of water resources in northern Xinjiang Uygur Autonomous Region.

The United Nations General Assembly resolved last year to have March 22 observed every year as the world day for water.

The United Nations estimates that 1.2 billion people still do not have access to safe water, he said.

Niu Maosheng added that over 50 countries or regions have a shortage of water, and water shortage has become a universal problem for cities all over the world.

#### Advertising Company To Put Up Boards in Three Gorges Area

OW2303142194 Beijing XINHUA in English 1405  
GMT 23 Mar 94

[Text] Chongqing, March 23 (XINHUA)—An advertising company has got the go-ahead to put up six huge boardings along the Chang Jiang River, in the Three Gorges where a huge dam is to be constructed.

Earlier this year, the waterways administration of the Chang Jiang River agreed to let the use of six signal stations in the Three Gorges to the Chongqing-based New Century Advertisement Company.

The signal stations were built at eye-catching positions in the Three Gorges to alert vessels at river bends.

When the Chang Jiang River is dammed in 1997 as planned, the first of the six signal stations will be submerged beneath the waters. The last will be flooded in the year 2003 when the first generating unit of the Three Gorges Power Station goes into operation.

An official of the New Century Company said they would choose six best-sellers in China's alcoholic drinks industry as their clients.

The six signal stations will be equipped with aluminium dioxide display boards which will have an area of 160-180 sq m each, according to the company's plan.

The company also plans to put 99 bottles of drinks of the six enterprises into vessels carrying small signal transmitters, and sink them where the river runs relatively slowly.

The aim is for them to be salvaged after 100 years, a company official said.

**Commentator Views New Taxation System***HK2203130894 Hong Kong TZU CHING in Chinese  
No 3, 5 Mar 94 pp 6-9*

["Special article" by special commentator: "Reform Enters Another Spring—Commentary on the Building of a New Taxation System in China"]

[Text] The adoption of the "Decision on Several Questions Concerning the Establishment of the Socialist Market Economy Structure" at the Third Plenary Session of the 14th CPC Central Committee and its implementation have enabled reform in China to enter another spring and the institution of a new taxation system is a beautiful bouquet of flowers in full bloom in the garden of reform. This article tends to make brief comments on the origin, progress, and characteristics of the new taxation system.

**Long Consideration, Aiming To Break Through**

The establishment of a taxation system and operational mechanism in conformity with the socialist market economic structure in China is not the result of subjective will at all, but has been considered over quite a long time. Where water flows, a channel is formed; this is inevitable.

In the 30 years from the founding of New China to 1978, China, being influenced by a highly centralized planned economic structure, practiced the "unified collection and unified spending" financial taxation system. The system played a historic role in pooling financial resources and laying an economic foundation for socialist construction. However, it also has many negative effects. Therefore, after the Third Plenary Session of the 11th CPC Central Committee, the reform of the taxation system in China began to lay stress on arousing the enthusiasm of both the central and local governments and on handling the relationship between the state and enterprises. The reform began with the replacement of profits with taxes handed over to the state and developed gradually.

Two steps have been taken in replacing profits with taxes handed over to the state.

The first step (experiments were carried out in 1979 and the step was taken in January 1983): Instead of handing over a portion of their profits to the state, state-owned enterprises paid income tax. Many forms were adopted for the distribution between the state and enterprises, such as levying regulatory taxes on after-tax profits of enterprises. This move broke the long-standing fixed pattern of interest distribution, but the situation of the coexistence of taxation and the handing-over of profits began to take shape. The second step (in September 1984): The system of allowing state-owned enterprises to keep all the remaining profits after paying income tax enabled the enterprises to have greater power in carrying out operations independently and to assume greater responsibility for their profits and losses. It also created conditions for reforming and establishing a system for the management of the budget of the central and local governments. However, because things in the price system were not yet straightened out, its limitations were also very clear.

Later, some corresponding readjustments were made in light of the implementation of the overall financial contract system and a complex taxation system with multiple categories of taxes, multiple links, multiple tiers, and with the turnover tax and the income tax as the main body and other auxiliary categories of taxes as a supplement began to take shape. Nevertheless, because the new taxation system has not yet been established, contradictions between, and problems in, the new and the old taxation systems tend to become even more conspicuous. They are mainly expressed in: The burden of taxation is not fairly shared, two separate taxation systems are used for domestic and foreign enterprises, and the burden of taxation for domestic enterprises differs greatly because of difference in ownership and localities; the relationship of distribution between the central and local governments and between the state and enterprises is jigsaw-like and is very irregular; the methods for tax collection and management are backward and full of loopholes, resulting in great losses; and the legal system is not sound, and a system in which the legislation, administration of justice, and law enforcement related to taxation are mutually independent and mutually conditioned has not been formed. The deep development of the market economy has called for deepening taxation reform. We must take big steps forward and make essential breakthroughs in the establishment of a new taxation system.

**Careful Planning, Clear Target**

Abolishing the old and establishing the new, formulating regulations and rules, and constantly perfecting them are difficult tasks to fulfill in financial and taxation reform in China.

Regarding this, the Third Plenary Session of the 14th CPC Central Committee has clearly put forward three focal points. The first is the replacement of the overall financial contract system with the tax-sharing system. The second is the reform and improvement of the tax collection system. The third is the improvement and standardization of the double budgetary system. As far as the establishment of the new taxation system is concerned, if we say the first and the third points are for creating necessary prerequisites and conditions, the second point is the main implication and key point in the establishment of the new taxation system. In essence, it is also to reform the industrial and commercial taxation systems. As viewed from the past two months, the Chinese Government has firmly grasped these vital points and is providing, and will continue to provide, guarantees by means of changing the structure to fundamentally solve this focal problem of interest distribution.

The plan for the establishment of a new taxation system was promulgated a year ago and more than 60 supplementary policies have been implemented since 1 January. This shows the planning was well made and well publicized. Its guiding ideology, principles, contents, and key points can be generalized as "unifying taxation laws, fairly sharing the taxation burden, simplifying the taxation system, and rationally dividing power."



"Unifying taxation laws" means the legislation of sound taxation laws and their relevant rules and regulations, putting all taxation activities on the orbit standardized by taxation laws, paying taxes according to law, and administering taxation according to law, so that the role of market mechanism for taxation activities will be in keeping with the strengthening of macroregulation and control.

"Fairly sharing the taxation burden" means gradually resolving the issue of having different categories of taxes and different tax rates for enterprises of different kinds of ownership and in different localities and, through unifying the income tax of enterprises and improving the turnover tax, enabling a more or less fair taxation burden among different kinds of enterprises and creating conditions for competition on an equal basis.

"Simplifying the taxation system" means adopting relatively standardized methods of taking international practices for reference, abolishing tax categories which do not conform with the development of the market economy, combining duplicate tax categories, and levying new categories of taxes which are really necessary in a bid to optimize the taxation structure and to make operation simple and easy.

"Rationally dividing power" means putting in the hands of the central authorities tax categories which involve the macro policies and correspondingly centralizing the power of taxation for regulating production and product mix. Taxation power which is useful for local governments in regulating local economy and organizing income, the power to formulate procedures for tax collection and tax management, and the legislation power concerning the levying of a small number of local taxes, should be given to local governments.

At present, China is smoothly carrying out reform of the taxation system in several major aspects in accordance with the above train of thought.

The turnover tax, the main body of the new taxation system, is being extended universally to domestic- and foreign-invested enterprises. The practices of putting products under taxable items and separately fixing different interest rates have been abandoned. The new methods are: The value-added tax is universally levied in production and circulation and on this basis, and the sales tax is also levied on a selected small number of consumers' goods; the levying of business tax is maintained in providing labor service, the transfer of intangible assets, and the sales of fixed assets; the unified industrial and commercial tax for foreign-invested enterprises is abolished; and the product tax for agricultural, forestry, livestock, and aquatic products is replaced by the agricultural special product tax and butchering tax.

The goal of unifying the income tax of enterprises will be realized in two steps. The first step is the institution of the unified domestic-invested enterprise income tax system, which is being implemented at present. As a result, the method of collecting income tax according to the ownership of enterprises has been abolished and state-owned

enterprises will no longer use the method of handing over income tax to the state on a contract basis. The second step is the combination of the income tax of domestic- and foreign-invested enterprises as the occasion demands in a bid to eventually unify the taxation system.

The basic purpose of levying and readjusting personal income tax is to levy tax on people with a relatively high income and to exempt or reduce such tax on people with intermediate-level income and low income so that the tax burden can be lowered to some extent and that some people can become rich earlier than others and the gap between the poor and the rich will not be too big.

The value-added land tax, which has recently been levied, is aimed at levying tax on the added value of transferred real estate. Taxpayers, irrespective of their economic nature, whether they are domestic-funded or foreign-funded enterprises, and whether they are specialized or not, have to pay tax on the basis of the volume of added value. The general result will still be relatively high after-tax profits for real estate operators.

To promote rational development and utilization of resources and to regulate differential incomes, necessary readjustments and reform of the resources have also been made. The scope of taxation includes all products of mineral resources and the tax to be collected is based on the category and quantity. Upper and lower limits are set, that is, the amount of tax on products of the same category may vary based on the conditions of the resources.

It is learned that, following the current large-scale reform, the number of taxable items will be reduced from 32 to 18, the taxation structure will become more rational, and a highly efficient and simplified taxation system will be realized.

#### Seeking Truth From Facts, Being Fair and Reasonable

In establishing the new taxation system, from planning to implementation, China has always adhered to the principle of proceeding from the present reality of China and seeking truth from facts, and therefore, what has been done is fair and reasonable.

Advancement as a whole and comprehensive supplementary moves have made it possible to make breakthroughs in the establishment of the new taxation system. The formulation and implementation of "The Decision of the CPC Central Committee on Several Questions Concerning the Establishment of the Socialist Market Economy Structure" have undoubtedly provided favorable social conditions for the reform of the taxation system and have enabled the establishment of the new taxation system to enter a new historical stage of being more responsive and ready. Although reform of the financial and taxation system is the focus and most the important of four major reforms this year, the supplementary reforms of the banking, investment, and planned systems will be carried out simultaneously and they will all give powerful support to the financial and taxation reform. Even viewed from a smaller scope, reform of the taxation system and reform of the financial system have matched and integrated with

each other and the target strategies, and the long-term, medium-term, and immediate results have all been repeatedly planned, expounded, and proved. The process of proceeding at a commanding height from the general to the local evidently shows a clearer goal and is more conducive to turning possibility into reality in the establishment of the new taxation system.

Being geared to the future and paying attention to giving consideration to various aspects have provided a bridge for transition in the establishment of the new taxation system. The goal of the reform is clear and we are quite determined to carry it out. However, we have to do things step by step. It is precisely because of this that China has paid attention to adopting some transitional measures in the course of establishing a new taxation system. For example, the enterprise taxation system must be unified and this direction cannot be changed, but we are not impatient and will not try to hit the target in one try. Foreign-invested enterprises and foreign enterprises continue to pay the original income tax and preferential policies have remained temporarily unchanged. The additional portion of tax paid after the collection of the new turnover tax by foreign-invested enterprises set up before 1 January this year will be returned to them. The design of all important taxation items and categories involving the readjustment of interests has taken into consideration the circumstances and has given expression to firmness in achieving the goal of reform and to flexibility of a progressive transition. A careful and safe start will inevitably speed up the realization of the goal and the practice of establishing the new taxation system in China has proved, or continues to prove, the correctness of this conclusion.

The integration of the will of the government and that of the masses of people and the conversion of such will into conscious action by the whole society have provided a deep and solid foundation for the establishment of the new taxation system. Since the latter half of last year, especially since the Third Plenary Session of the 14th CPC Central Committee, the Chinese Government has paid great attention to regarding the direct participation of the grass-roots level and the broad masses of the people as indispensable conditions for the establishment of the new taxation system. Therefore, it has issued "red-banner documents" to define policies and measures and has convened meetings for senior officials of departments in charge of relevant work to give explanations, to help overcome difficulties, or to run study sessions to pass on the essentials on operation. The radio, television, newspapers, magazines, and other mass media and tools for public opinion have all tried their best to publicize and promote reform of the taxation system. According to informed sources, in the course of the establishment of the new taxation system, efforts made by the government in organizing, leading, and publicizing the degree of concern and support of the masses of the people, and the stability of society have become the solid and firm social foundations for achieving comprehensive success in the new taxation system.

Because of all these, we have full grounds to hope for a stronger fragrance from this wonderful blooming flower of

the new taxation system in China and to invite all people of the industrial and commercial circles who want to display their skills in China to enjoy the fragrance to the full.

#### Article Views Establishment of New Enterprise System

HK2203061594 Beijing RENMIN RIBAO in Chinese 5 Mar 94 p 2

[Article by Wang Qingxian (3769 3237 2009) from the "Talks on Building a Modern Enterprise System" column: "Building a New System Requires New Knowledge"]

[Text] The government and enterprises are currently facing the important task of studying the basic knowledge about the modern enterprise system. Establishing the modern enterprise system is a new question for study, and most people are still unfamiliar with this concept. Establishing the modern enterprise system is also the most important "campaign" now that economic structural reform in our country has entered the stage of "storming the fortifications" [gong jian 2396 1017], so we must work very hard to acquire and understand the knowledge in this regard. Carrying out reform in this area is a pressing task for us.

If we say that our previous enterprise reform measures were primarily aimed at "destroying the old," then the establishment of the new enterprise system will mainly be aimed at "establishing the new." The modern enterprise system is not one or two specific systems in some areas, but a comprehensive institutional system which is related to all aspects of the external environment and the internal mechanisms of the enterprises. The system should clearly determine the character, position, role, and behavior mode of the enterprises. It should standardize the basic relationships between the enterprise and the investor, between the enterprise and the creditor, between the enterprise and the government, between the enterprise and the market, between the enterprise and society, between one enterprise and another, between the enterprise and the consumers, and between the enterprise and its workers. Moreover, the modern enterprise system is the result of summing up the enterprise reform experience in our country. It is the product of the development of socialized mass production and the market economy and is based on the integration of the creative practice from our country's enterprise reform with international and common practices. It is certain that our existing knowledge cannot enable us to thoroughly understand all its contents. For example, we may now hear quite a few specious comments on the modern enterprise system. Some people have said that the modern enterprise system was a modernized enterprise system, and the first requirement in a modernized enterprise system was to realize enterprise modernization. Other people have said that the modern enterprise system referred to the conduct of modern enterprise management. These were interpretations without real understanding and were just based on people's existing knowledge. In fact, being a model of the enterprise structure, the modern enterprise system is the reflection of the relationship of production, and it does not represent the modernization level of the equipment in the



enterprises and does not refer to the modernization of enterprise management. If popular understanding remains at such a level, how can they establish the modern enterprise system, which is scientific and standardized?

At present, the relevant central departments and the local governments are actively selecting the points for carrying out the pilot schemes for the establishment of the modern enterprise system. Various provinces are applying for a larger number of assignments of such pilot schemes from the central departments concerned. Enterprises are also vying with one another to apply for carrying out such pilot schemes from the provincial and municipal authorities. Such enthusiastic reactions show that an extensive consensus of opinion on the establishment of the modern enterprise system has been reached, and this is supported by localities and enterprises. In such circumstances, we should grasp the opportunity and properly adopt various forms to organize the local governments and the enterprises to study the basic knowledge about the modern enterprise system so that people may fully and more deeply understand the modern enterprise system.

The government departments must make this study indispensable and must not just carry it out in a formalistic way. Such study is necessary for the enterprises; it is not an extra burden which disrupts routine operations. Our minds must be armed with the new knowledge acquired from the study; otherwise, we may lose our bearings and could even go astray in practice. While studying knowledge about the modern enterprise system, the government departments should more scientifically select the points for carrying out the pilot schemes according to objective standards so that reform in this regard may be carried out from the very beginning in a rigorous and regular way, as opposed to a haphazard way based on some people's wishful thinking. Through studying the knowledge about the modern enterprise system, the enterprises will understand why they can or cannot be assigned to carry out the pilot scheme and will thus reduce their unnecessary grievances about whether an arrangement is fair or unfair. Thus, enterprises that are not selected for the pilot schemes will also actively create conditions in order to carry out a pilot scheme as soon as possible and to march toward the modern enterprise system.

#### **National Meeting on Port Administration Opens in Nanchang**

*HK2203032494 Nanchang Jiangxi People's Radio Network in Mandarin 1100 GMT 17 Mar 94*

[Report by station correspondent Liang Yong]

[Text] The National Work Conference on the Administration of Port Cities opened in Nanchang this morning. Attending the meeting were Wang Yiping, secretary general of the State Economic and Trade Commission; Su Shengyou, member of the Jiangxi Provincial CPC Committee Standing Committee and concurrently vice governor; Ye Jian, of the State Office for the Administration of Port Cities; Wang Guoben, vice chairman of the Jiangxi Provincial People's Congress; Wu Yongle, vice chairman

of the Jiangxi Provincial Committee of the Chinese People's Political Consultative Conference; and Zhong Qing, deputy commander of the Jiangxi Military District.

State Council Vice Premier Li Lanqing sent a letter to the conference, expressing his hope that based on existing port administration work, all checking and testing units stationed at ports will further strengthen coordination, work in close cooperation, and make concert efforts to guarantee the soundness of their work for the state.

Wang Yiping, and Su Shengyou made speeches one after another. The meeting reviewed the accomplishments China has made in port administration in the 15 years since reform and opening up, and especially in 1993. The meeting indicated that in the new year, it is necessary to further emancipate our minds in port administration work; magnify the strength of reform so as to bring port administration closer to customary international practice; guarantee ports' security, flow, high efficiency, and civilization; and give full play to ports' comprehensive functions in order to meet the needs of developing the socialist market economy.

The conference required people's governments at all levels to strengthen leadership in planning for opening up ports and to quicken pace in restructuring port administration. It is necessary to unfold sustained, in-depth activities to build civilized ports.

Participating in the conference were deputies from the port administration offices and port joint-examination units of 28 provinces, municipalities, and autonomous regions.

#### **MOFTEC Issues Rules Governing Tenders for Export Quotas**

*HK2503022494 Beijing GUOJI SHANGBAO in Chinese 27 Feb 94 p 1*

[Ministry of Foreign Trade and Economic Cooperation (MOFTEC) circular released in Beijing on 27 February 1994: "MOFTEC Circular on Matters Concerning Tender for Export Commodity Quotas"]

[Text] To economic and trade committees and departments, foreign trade bureaus, commissioners' offices, and quota licensing bureaus of all provinces, autonomous regions, municipalities, and specially designated cities; and to all chambers of commerce for importers and exporters and all foreign trade corporations and industrial and trade corporations:

In accordance with the (provisional) "Method for Inviting Tenders for Quotas of Export Commodities," the paid invitation of tenders [you chang zhao biao 2589 0326 2156 2871] for the quotas of such export commodities as tree logs on a trial basis is now confirmed. Details are published as follows:

First, the first number of commodities for which tenders for export quotas are invited on a trial basis comprises 13 categories, namely tree logs, light- (deep-) burnt magnesium, fluorite (powder), ginseng, garlic, bleached cotton cloth, ramie yarn, rejected ramie cloth [zhu ma huai bu

5389 7802 0975 1580], ramie pieces/balls, fine dry ramie [jing gan ma 4737 1626 7802], Chinese small iris and its products, licorice products, and honey.

Second, the time for inviting tenders:

The time for inviting tenders for quotas of the above 13 commodities is March 1994. The specific opening and closing dates for sending in tenders are to be published separately by various quota and tender committees.

Third, concerning the establishment of export commodity quota and tender committees:

In accordance with the (provisional) "Method for Inviting Tenders for Quotas of Export Commodities," quota and tender committees are jointly formed by the Foreign Trade Administration Department of the Ministry of Foreign Trade and Economic Cooperation and the various chambers of commerce concerned. They are the quota and tender committee of the Chamber of Commerce for Importers and Exporters of Foodstuffs, Native Produce, and Animal By-Products; the quota and tender committee of the Chamber of Commerce for Importers and Exporters of Textiles; the quota and tender committee of the Chamber of Commerce for Importers and Exporters of Light Industrial Products and Arts and Crafts; the quota and tender committee of the Chamber of Commerce for Importers and Exporters of Metals, Minerals, and Chemicals; and the quota and tender committee of the Chamber of Commerce for Importers and Exporters of Medicines and Health Products. All quota and tender committees are to set up offices for invitation of tenders for commodity quotas in their own chambers of commerce for importers and exporters.

Fourth, concerning the setting up of quota and tender offices:

All quota and tender committees are to set up quota and tender offices to take charge of the specific work of inviting for tenders. They are as follows:

- 1) The quota and tender committee of the Chamber of Commerce for Importers and Exporters of Foodstuffs, Native Produce, and Animal By-Products is to set up a quota and tender office for trees logs, garlic, honey, ramie pieces/balls, and fine dry ramie.
- 2) The quota and tender committee of the Chamber of Commerce for Importers and Exporters of Metals, Minerals, and Chemicals is to set up a quota and tender office for light- (deep-) burned magnesium and fluorite (powder).
- 3) The quota and tender committee of the Chamber of Commerce for Importers and Exporters of Textiles is to set up a quota and tender office for bleached cotton cloth, ramie yarn, and rejected ramie cloth.
- 4) The quota and tender committee of the Chamber of Commerce for Importers and Exporters of Light industrial Products and Arts and Crafts is to set up a quota and tender office for Chinese small iris and its products.
- 5) The quota and tender committee of the Chamber of Commerce for Importers and Exporters of Medicines and Health Products is to set up a quota and tender office for ginseng and licorice products.

Fifth, regulations on the use of the quotas of the above 13 commodities:

1) Of all the quotas for the year of 1994 for the above 13 commodities,  $\frac{1}{4}$  [figure as published] is assigned by MOFTEC for the whole year while the remainder is used for tenders.

2) The economic and trade committees and departments or foreign trade bureaus of all provinces, autonomous regions, municipalities, and specially-designated cities distribute quotas to enterprises in accordance with the quotas assigned by MOFTEC. All licensing units must issue licenses in accordance with the quotas.

3) The invitation of tenders for commodity quotas mentioned above refers to the invitation of tenders from around the world, which includes all forms of trade. All export licenses obtained prior to 1 April for the above commodities bound for any country (region) are effective until 31 March. If, on 31 March, a unit has not fully used the export license obtained for a quota in the first quarter of the year, it can exchange it for another license for the remainder of the quota from a designated licensing organ before 15 April.

4) Effective from 1 April, all units that have won a tender must obtain an export license from the new licensing unit (another circular will be given concerning the readjustment of licensing organs).

Sixth, the paid invitation of tenders for export quotas can only be organized by the State across the country. No locality or enterprise of any type can do the same by carrying out the paid invitation of tenders.

The above regulations must be observed and implemented.

#### **MOFERT Circular on Shipping Marks for Imports**

HK2303052594 Beijing GUOJI SHANGBAO in Chinese  
1 Mar 94 p 2

["Circular of the Ministry of Foreign Economic Relations and Trade (MOFERT) on Strictly Observing Provisions on Shipping Marks for Imports—Promulgated by the Ministry of Foreign Trade and Economic Cooperation, MOFTEC, on 5 October 1993"]

[Text] In recent years, after securing approval, various ministries, commissions, provinces, and municipalities have established many companies for directly operating import businesses. These companies have begun to place orders for goods from the outside world and to sign contracts with foreign firms. Some companies, however, do not understand the provisions formulated by this Ministry on shipping marks for imports and on the numbers for import contracts, and they have not submitted the required applications to the relevant department of this Ministry for shipping-mark codes. This situation has brought about many difficulties in the work of customs, commercial inspection, and transportation departments, and also has seriously hindered the prompt transportation of goods, to the extent that some cargoes have been piled up at ports and in warehouses for a long time. As their



owners cannot be found, the cargoes cannot be dispatched, and work has been made very difficult.

In light of this situation and in order to prevent the incorrect shipping marks on imported cargoes from affecting forwarding work, this Ministry reiterates that both the shipping marks on imports and their contract numbers must be printed strictly according to our provisions, and that various import companies and cargo-receiving departments must submit applications to this Ministry for codes allowing them to run import businesses and place orders, as well as codes for the persons to receive imported cargoes.

Various local governments are requested to inspect the import companies under their jurisdiction, and if they discover companies that have not applied to this Ministry for shipping-mark codes, please urge them to do so.

Please see the annex to this circular for the provisions on printing shipping marks and contract numbers on imported cargoes.

Annex: Provisions for printing contract numbers and shipping marks on imported cargoes.

[Signed] Ministry of Foreign Economic Relations and Trade

16 September 1985

**Annex Method for Arranging Numbers of Import Contracts and Shipping Marks** When signing contracts with foreign firms, companies that operate import businesses should arrange contract numbers and shipping marks according to these provisions:

1. Component parts of the number of an import contract and its shipping mark.

According to prevailing international practice; considering our country's actual experience over the years in handling imports and placing orders for goods; and based on the principle of making things simple, easy, and convenient to check and find; the following six parts are adopted—depicted in English characters and Arabic numerals—to form contract numbers and shipping marks.

1. Number for the year in which an order for goods is placed: Contracts signed in 1985 will be represented by "85," and other years will follow the same rule.

2. Code for a company running import business and placing orders for goods: The import business companies having permission to directly place orders for goods from the outside world and to sign contracts with foreign firms will be given codes exclusively by this Ministry for running import business and placing goods orders. These codes generally will consist of three English characters.

3. Code for a unit placing orders for goods (that is, the consignee who receives imported cargoes): The Ministry will arrange and issue codes to the consignees of imported cargoes within the units that place orders for goods. These codes generally consist of three English characters.

4. Numerals representing commodity categories: Two or three Arabic numerals will be used to represent the

categories of imported commodities. For details, see the List of Numerals Representing Categories of Commodities.

5. Codes for cargo-supplying countries: Two English characters are used to represent each of the countries and regions that have already established diplomatic relations and have trade interactions with our country. See the list of codes for cargo-supplying countries and regions formulated by this Ministry on 25 August 1989 [date as published].

6. Serial number of contract: This will be decided by the companies that sign contracts on imports and place orders for goods, so as to distinguish different contracts.

II. Structure in which the codes of an import contract and shipping mark are organized.

1. For any contract signed with any country or region, the codes should be arranged horizontally, and the positions are as follows:

The first position is the code for the year in which the order for goods is placed.

The second position is for the code of the company running the import business and placing the order for goods.

The third position is for the code of the cargoes' consignee.

The fourth position is for a punctuation code; various specialized foreign trade corporations and their branches use a "-" [hyphen] code, other companies use a "/" [slash] code.

The fifth position is for the commodity category code.

The sixth position is for the code for the contract serial number.

The seventh position is for the code of the cargo-supply country.

2. Structure for organization of the shipping mark.

The shipping mark is organized into two lines, with the upper line representing the serial number of the import contract, and the lower line representing the English name of the port of destination of the cargoes as specified by the contract.

For example, in 1985 (code is 85), a certain industrial and trading company (suppose the code name for it to run import business and place orders for goods is AA), is entrusted by a certain order-placing department (suppose the code for the consignee of the imported cargo is BB), to sign a contract which is numbered 003 (the serial number of the contract is 003), with Britain (code name is CE) to order some marine equipment (code is 382), which will be shipped to the port of Shanghai in China (English name is Shanghai China) [preceding two words printed in English]. In this case, the code of the contract should be: 85AABB/382003CE. The shipping mark should be: 85AABB/382003CE. SHANGHAI CHINA [preceding two words printed in English].

III. Points for Attention

1. To import cargo from any country or region—regardless of whether the cargo is carried to a port of our country by sea, land, or air transport; mail; or a combination of various forms of transport—when an order for goods is placed with the outside world, it is necessary to strictly observe the provisions on the arrangement of the contract code and shipping mark.

2. When conducting import business negotiations with visiting foreign trade delegations and businessmen in various trading companies, at the Guangzhou Trade Fair, or on any other occasion, and when the commercial organizations, trade delegations, or purchasing teams sent abroad by our country negotiate import business with foreign businessmen and sign agreements and contracts with them, the contract codes and shipping marks must be made clear, according to the provisions.

3. When various import companies negotiate business with foreign businessmen, they should make the following issues clear to the other party, the consignor:

1) When copying loading lists, rail and air waybills, bills of lading, and various kinds of commercial bills, completely correct and corresponding shipping marks and contract numbers must be written down.

2) Regarding the packaging of goods, on two sides of every packing case, nonfading pigment must be used to paint a complete shipping mark, which must be clear, noticeable, and not blurred. List of Numbers Representing Commodity Categories 01-ferroalloy 02-fashioned iron and steel 03-metal products 04-ferrous metal 05-quality steel 06-tubes 07-rail equipment 08-nonferrous metal 09-other (including scrap iron, pig iron, iron ore, and mineral products) 10-prospecting equipment 11-power plant 12-machine tool equipment 13-mining equipment 14-forging press equipment 15-smelting, pressing, and casting equipment 16-hoisting and digging machinery 34-[blank] 35-diamond 36-handicraft raw materials 361-vehicle 362-automotive and train compartment 363-automobile parts 364-vehicle workshop facilities 365-aircraft 366-aircraft spare parts 37-agricultural machinery 38-passenger ship 381-cargo ship 382-marine equipment and spare parts 383-other vessels (including crane ship and dredger) 17-pumping and compressing equipment 18-valve 19-civil engineering machinery 20-mechanical equipment 21-electric motor 22-electric wire and cable 23-air-conditioner and other electric devices 24-construction materials and machinery 25-architectural decoration equipment; building material products 26-cutting tool 27-[blank] 28-measuring tool 29-[blank] 30-[blank] 31-pneumatic tool 32-grinding tool 33-bearing 56-surveying and mapping instrument 57-physical optics instrument.

58-[blank] 59-[blank] 60-[blank] 61-[blank] 62-[blank] 63-meteorological instrument 64-[blank] 65-hot work instrument 66-[blank] 67-platinum 68-[blank] 69-[blank] 384-scrap ship 39-chemical industrial machine 40-light industrial machine 41-wireless equipment 42-carrier equipment 43-electron tube 44-wired equipment 45-metallurgical equipment 46-electrotechnical instrument

47-electronic instrument 48-nuclear instrument 49-miscellaneous instrument 50-[blank] 51-material testing machine 52-optical measurement tool 53-[blank] 54-microscope 55-geological and mining instrument 85-[blank] 86-cotton 87-wool and woolen thread 88-artificial silk, cotton, and fiber 89-flax and flaxen thread 90-[blank] 91-paper pulp 911-wrapping paper 912-other kinds of paper 913-watch and watch component parts 914-tape recorder, tape, and sound equipment 915-chemical reagents for developing films and negatives 916-negatives 92-television set 70-laboratory instrument 71-petroleum and petroleum products 72-[blank] 73-[blank] 74-rubber products 75-raw materials for making pesticide 76-raw materials for chemical industry 77-raw materials for making medicine 777-chemical fertilizer, phosphate 78-chemical reagent 79-explosive detonator and blasting fuse 80-dye and color 81-medicine 811-special drug 815-pesticide 82-medical apparatus and instruments 83-[blank] 84-isotope 921-display tube 922-plate making, microfilming, and movie equipment 923-membrane for agricultural use 924-artificial leather 925-synthetic leather 926-miscellaneous items 93-daily necessities, industrial products, copier, camera equipment 94-foodstuff, food additive, food preservative, and food color 95-grain, oil, seed, and copra 96-fur and living animals 97-tea, cocoa, and coffee 98-mineral products 99-native products (tobacco and timber).

#### Circular Issued on Cooperation Fund Management

HK2203062894 Beijing GUOJI SHANGBAO in Chinese  
2 Mar 94 p 2

["Circular of Ministry of Foreign Trade and Economic Cooperation (MOFTEC) and the Finance Ministry on Issues Related to Further Strengthening Management Over the International Economic Cooperation Fund—promulgated by MOFTEC on 5 October 1993"]

[Text] To further strengthen management of the International Economic Cooperation Fund (IECF) and expedite its circulation, an announcement resulting from due deliberations on some relevant issues is hereby issued, as follows:

1. All borrowings from the IECF must be used for the purposes specified. Those that have been transferred to other projects or appropriated for other purposes without the prior consent of MOFTEC are to be recovered forthwith.

2. To expedite its circulation and enhance the efficiency of its utilization, from now on the IECF is to focus supporting cost-effective foreign projects undertaken by those companies that implement foreign transaction policies and obey coordination. Under normal circumstances, it will not extend loans to investments made by solely foreign-funded or joint-venture overseas enterprises. The IECF will channel its credit primarily to the circulation of short-term funds during the peak period of project funding.

3. To support the development of such undertakings as contracted foreign projects and cooperation in labor services, the annual interest rate for borrowings from the



IECF will remain as they are, i.e., the annual interest rate for Renminbi loans is 4 percent and that for U.S. dollar loans is 5 percent. Should a need arise, from special circumstances, for a renewal of the loan, the debtor is to file an application one month in advance, after which the renewal may be approved by MOFTEC. In this case, however, the annual interest rate for Renminbi loans is to conform to the interest rate on revolving-fund credit for enterprises undertaking foreign contracts set by the General Office of the People's Construction Bank of China, while the annual interest rate for U.S. dollar loans is to conform to the interest rate on revolving-fund credit set by the General Office of the Bank of China. Should the renewal need to be repeated, at the discretion of the authorities, the management fee is to be calculated by the bank credit interest rate, plus 10 percent. The renewal may not be repeated more than once. Failure to repay the loan on maturity or extending the length of maturity without securing prior consent is subject to a penalty of 20 percent, in addition to the bank credit interest rate.

4. A file is to be established for each debtor, into which its borrowings from, and repayments to, the IECF are to be entered. In future credit management, priority is to be given to debtors that have repaid their loans on time and are in good standing. Debtors that have failed to repay their loans on time and are not in good standing will not be entitled to further credit.

5. In June and December of each year, each debtor is to tabulate the progress in utilization of the IECF borrowings, in conformity with the attached sample format, and furnish detailed written data describing the returns, experience, and issues in relation to the IECF borrowings. Both of these are to be submitted to MOFTEC (the Financial Accounting Department and the Department of Foreign Economic Cooperation), with a copy forwarded to the Finance Ministry (the Finance Department of Foreign Currency and Affairs).

Attachment: Utilization of Borrowings From the IECF  
[Signed] The Ministry of Foreign Trade and Economic Cooperation  
The Finance Ministry  
5 May 1990 Attachment:

Utilization of Borrowings From the IECF Debtor: (with official seal) Name of project: Date of tabulation: Date of borrowing from the IECF: Amount (in U.S. dollars or Renminbi): Length of maturity approved: Progress in utilization on project: Project revenue: Project expenditure: Efficiency analysis: Payment of fund management fee: Date: Amount (in U.S. dollars or Renminbi): Date: Amount (in U.S. dollars or Renminbi):

Note: This table is to be completed by the IECF debtor for each project, and is to be completed and submitted in June and December of each year.

#### MOFTEC Circular Issued

HK2203054394 Beijing GUOJI SHANGBAO in Chinese  
2 Mar 94 p 2

[Circular of Ministry of Foreign Economic Relations and Trade (MOFERT) and the Ministry of Finance on a

Supplement to the Provisional Procedures for Management of the International Economic Cooperation Fund—Released by the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) on 5 October 1993]

[Text] In order to intensify the management of the International Economic Cooperation Fund (IECF) and to make still better use of it, the following supplement is hereby made to the "Provisional Procedures for Management of the International Economic Cooperation Fund" jointly promulgated by MOFERT and the Ministry of Finance on 24 October 1984.

1. Every company applying for a loan from the IECF must submit, together with the loan application document, a copy of the report on the feasibility study on the project concerned, a copy of the economic returns analysis report, and a report on the company's capital flow.

2. To keep the authorities informed of the spending of the loan extended by the IECF, every borrower is to forward in a timely manner a report on the spending of the loan extended by the IECF and a relevant financial statement to both MOFERT and the Ministry of Finance.

3. In compliance with the current interest rate for bank loans, the annual interest rate for loans extended by the IECF is to be readjusted as of 1 April 1989 to 4 percent per annum for loans in Renminbi and 5 percent per annum for loans in U.S. dollars. Loans granted before 1 April 1989 also will have their interest rates readjusted to the above annual rates effective 1 July 1989.

4. In the case of any debtor failing to repay the loan as scheduled for any special reason, it is to apply to MOFERT for late repayment one month before the loan is due. MOFERT can approve the application for late repayment, provided the application is found, on examination, to be justified. However, in this case, the interest is to instead be charged on the loan according to the annual rates fixed by the Bank of China and the Construction Bank of China. Should the reasons given to support the late repayment application be found unjustified, no late repayment will be allowed, and the interest rate for the loan will be readjusted to the annual interest rates fixed by the Bank of China and the Construction Bank of China effective on the due date of the loan. In addition, an extra 20 percent financial service fee will be charged to the debtor.

[Signed] Ministry of Foreign Economic Relations and Trade  
Ministry of Finance  
20 April 1989

#### MOFTEC Issues MOFERT Circular on Trademark Proprietorship

HK2203053294 Beijing GUOJI SHANGBAO in Chinese  
1 Mar 94 p 2

[Circular of the Ministry of Foreign Economic Relations and Trade (MOFERT) on Appropriately Treating Export Enterprises' Trademark Proprietorship—Promulgated by the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) on 5 October 1993]

[Text] In recent years, all kinds of foreign trade enterprises have been established throughout the country following the deepening of reform and opening up. However, because some departments and units have treated in an improper manner enterprises' right to use export commodity trademarks, many disputes have occurred concerning trademark use, causing a certain amount of confusion in the domestic and international markets, damage to the reputations of the relevant trademarks, and a negative impact on the relevant enterprises' operations and development. To prevent the recurrence of this situation in the course of structural change and to make it easier for the relevant departments and units to handle the trademark problem properly, the following circular is issued:

1. Registered trademark proprietors can dispose of the use of their trademarks within the framework of the Trademark Law and the relevant regulations; no department or unit is allowed to interfere.

2. If an enterprise establishes another type of foreign trade enterprise and wishes to use the registered trademarks of others for foreign-related business operations, it must obtain approval from the registered trademark proprietors, and in accordance with the law, sign contracts approving the use of such trademarks. The unapproved use of the registered trademarks of others is prohibited.

3. Both signatories are responsible for the quality of the commodities bearing the approved trademarks. The approved enterprise is subject to the coordination, supervision, and management by the relevant department and by the approving enterprise with respect to sales market, customer, and price.

The approved enterprise must have its name shown on the packing of the commodities bearing the registered trademarks of others.

4. In changing its structure or establishing other economic organizations, should an enterprise wish to transfer a domestically or foreign-registered trademark, it should abide by the principle of compensatory transfer (with the exception of those having an agreement).

5. Enterprise groups or other types of economic combination organizations the members of which are independent legal persons are not allowed to force these members to transfer their registered trademarks, nor is the higher administrative department allowed to force them to transfer their registered trademarks.

6. In principle, an enterprise using its registered trademark as investment capital cannot change its status as the main trademark proprietor.

All levels of administrative departments are required to implement these provisions and to mediate in enterprises' trademark disputes according to the law in the course of foreign trade structural change. Serious violations of the Trademark Law and regulations, or infringements of the trademark proprietorship of others, must be stopped resolutely. If the higher administrative department violates the Trademark Law and regulations, or if it interferes in

the normal use and management of registered trademarks, enterprises have the right to ask people's courts for legal protection.

[Signed] Ministry of Foreign Economic Relations and Trade

16 June 1992.

#### Further on MOFERT Circular

HK2203053094 Beijing GUOJI SHANGBAO in Chinese  
2 Mar 94 p 2

["Circular of the former Ministry of Foreign Economic Relations and Trade (MOFERT) on Strengthening Management Over Trademarks in the Purchase of Export Commodities—released by the Ministry of Foreign Trade and Economic Cooperation (MOFTEC), 5 October 1993"]

[Text] When purchasing goods from production enterprises, the negligence of some foreign trade companies in investigating the validity of the use of trademarks has resulted in trademark violations. In order to strengthen management in this field, the following points are defined:

First, when foreign trade companies purchase goods from production enterprises for export (or for sale on commission), they should strictly examine whether the trademark is registered and belongs to that enterprise. Goods produced by enterprises that misuse the trademarks of others must not be purchased for export (or sold on commission).

Second, foreign trade companies may not purchase (or sell on commission) export goods from production enterprises that use trademarks licensed to a registered enterprise that has not stipulated clearly in its contract that the production enterprise has the right to sell or has only the right to sell on the domestic market.

Third, without the approval of the foreign trade company that holds the trademark, export enterprises may not purchase (or sell on commission) export goods from enterprises with a domestically registered trademark that, for historical reasons, is possessed by a foreign trade company—in addition to the production enterprise—and is registered abroad by the foreign trade company.

Fourth, foreign trade enterprises may not misuse the trademarks of others to export their goods.

Fifth, when a trademark-holding foreign trade company endorses the use of its registered trademark by production enterprises, it should strictly stipulate in the contract the terms governing the sale of products abroad, and should strengthen management and supervision.

When purchasing goods for export (or sale on commission), if a foreign trade company infringes upon the rights of another party owing to its negligence of trademark ownership or to improper management by the trademark holder, the party concerned is to undertake administrative and legal responsibility in light of the seriousness of the case.

[Signed] Ministry of Foreign Economic Relations and Trade

21 February 1991



### **MOFERT Circular on Exports for Contracted Projects**

*HK2203014694 Beijing GUOJI SHANGBAO in Chinese 2 Mar 94 p 2*

["Circular of former Ministry of Foreign Economic Relations and Trade (MOFERT) on Formalities for the Export of Equipment and Materials Related to Contract Projects Abroad—Released by the Ministry of Foreign Trade and Economic Cooperation on 5 October 1993"]

[Text] In the wake of the development of contracted project business and cooperation in terms of labor services run by Chinese companies abroad, many projects run by Chinese contractors, especially those with Chinese companies as principal contractors, may involve procurement of equipment, raw materials and supplies, component parts, as well as machinery and tools from China proper. Hence the contracted project business will give an impetus to the export of China-produced equipment and materials. This will not only help increase the country's foreign exchange earnings, but also will reduce project construction costs substantially. In order to ensure the smooth development of this type of business, some concrete operational procedures and methods have been formulated, based on practical experience gained over recent years, and a notice is hereby served as follows:

1. Any company running an international economic and technological cooperation project, as a contractor or sub-contractor abroad, which needs to procure necessary equipment, materials and supplies, as well as machinery and tools from the home country, can lodge an application directly to and go through export procedures as required with this ministry. If the equipment and goods to be exported are subject to export license control, the company is to apply to this ministry for an export license, by presenting the project contract it has signed with the foreign party.

2. The company applying for the export of China-produced equipment and goods is to submit a photocopy of the contract concerned, as well as the application form, in duplicate, for the export of equipment and good with relation to a contracted project (see Appendix 1), and two copies of the detailed list of project-related equipment and goods that are to be exported (see Appendix 2). Both the application form and the detailed list must be printed on A4-sized paper, as prescribed by the appendices.

3. The equipment and goods for the export of which an international operation company has applied are to be used only by the company itself to meet practical needs in the contracted works, as declared, and they are never to be used for any other purpose, nor are they to be resold. In order to prevent overstocks, the equipment and goods needed to run a contracted project can be exported in batches and stages so as to keep pace with the progress of the project.

**Appendices:** 1. Application form for the export of equipment and goods with relation to contracted projects

2. Detailed list of project-related equipment and goods to be exported

[Signed] Ministry of Foreign Economic Relations and Trade

28 February 1990 Appendix 1 Application Form for the Export of Equipment and Goods With Relation to Contracted Projects Foreign Economic Cooperation Department Ministry of Foreign Economic Relations and Trade:

Our company is the contractor/sub-contractor for the project of.....in (name of country or area). To complete the project works as prescribed by the contract, we need to export some China-produced equipment and goods. Attached is a copy of the contract concerned and a list of the items to be exported. Please examine and approve this application for export.

Name of the company (with official seal)

Date Contract number: Site of project: Name of project: Major project items: Categories of goods (detailed list as attached): Total weight of goods: Total monetary value in yuan: Port of exit: Monetary value converted into U.S. dollars: Remarks of the Foreign Economic Cooperation Department: Appendix 2 Detailed List of Contract Project-Related Equipment and Goods To Be Exported Serial number: Name of goods: Specifications: Quantity: Unit: Unit price: Total price converted into U.S. dollars: Grand total:

### **MOFTEC Issues MOFERT Circular on Counterfeit Trademarks**

*HK2203013094 Beijing GUOJI SHANGBAO in Chinese 2 Mar 94 p 2*

["Circular of the former Ministry of Foreign Economic Relations and Trade (MOFERT) on Sternly Attacking the Practice of Using Counterfeit Export Commodity Trademarks—Promulgated by the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) on 5 October 1993"]

[Text] With a view to implement the spirit of the State Council's "Circular on Sternly Checking the Criminal Activities of Manufacturing and Selling Fake Commodities," and to prevent export enterprises from manufacturing and selling commodities using trademarks already registered by others, this circular is hereby formulated on the following relevant issues:

1. All economic and trade commissions and departments, foreign trade bureaus, and relevant units should abide by the requirements of this ministry on halting the infringement of trademark rights; act in light of local conditions in their own localities and units; organize relevant export enterprises, and especially the leaders of these enterprises, to study conscientiously the circulars of the State Council and the Supreme People's Court on dealing relentless blows to the production and sale of fake commodities; and enhance their legal awareness of trademarks.

2. All economic and trade commissions and departments, foreign trade bureaus, chambers of commerce, and head offices should take responsibility and organize export enterprises in their own localities or under their industries and trades to conduct overall inspections of

the possible manufacture and sale of commodities using already-registered trademarks (including accepting trademarks designated by foreign clients). Immediate action must be taken to redress errors as soon as they are uncovered.

3. No foreign trade enterprise is allowed to make use of sales promotion activities—such as trade fairs, advertisements, and propaganda activities of any kind—to provide conveniences to factories engaged in the production of counterfeit goods, including purchasing, exhibiting, publicizing, and acting as agents for export commodities bearing trademarks registered by others.

4. All localities should regard the use of trademarks as part of their appraisal of the accomplishments of foreign trade enterprises and their leaders. Enterprises that have seriously violated trademark rules and regulations in their daily operations will be deprived of their right to participate in the annual appraisal and selection of outstanding enterprises.

5. All economic and trade commissions and departments, foreign trade bureaus, chambers of import and export trade, and head offices should report to this ministry promptly any case in which an export enterprise is punished by judicial or industrial and commercial departments for manufacturing and selling commodities using the registered trademarks of others, as well as for other law-breaking activities concerning trademarks.

6. Once export enterprises holding export permits are certified guilty of producing and selling quota-administered commodities using trademarks registered by others, MOFERT will notify the relevant permit-issuing departments to suspend the issuance of export and quota permits to such enterprises. According to the seriousness of each case, this ministry will suspend or annul the enterprise's autonomy in the export of relevant commodities, or even terminate its right to handle imports and exports.

It is a long-term task to eliminate counterfeit commodities and halt trademark infringement. All economic and trade administrative departments, as well as all relevant units, should adopt feasible measures, work in close coordination with the departments in charge, reinforce efforts to supervise and guide export enterprises, and halt counterfeiting and law-breaking activities in foreign trade according to the law. This ministry will investigate and affix the responsibility on leaders of competent administrative departments for failure to take effective measures, for serious dereliction of duty, for repeated infringements of rights, and for other serious problems.

[Signed] Ministry of Foreign Economic Relations and Trade

8 September 1992

#### **Circular Bans Trademark Violations**

HK2203012894 Beijing GUOJI SHANGBAO in Chinese  
1 Mar 94 p 2

["Circular of the former Ministry of Foreign Economic Relations and Trade (MOFERT) on Banning the Practice of 'Sharing' the Trademarks of Others"—Promulgated by

the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) on 5 October 1993]

[Text] The following circular is specifically for the purpose of promoting the smooth development of foreign trade, removing the harms of "sharing trademarks," and implementing strictly the provisions of the Trademark Act regarding the protection of the special rights of trademark registrars.

First, whatever its type, no foreign trade or industrial and trade enterprise can use a registrar's trademark without his permission, with such excuses as having "shared" the use of the trademark or having been its goods-supply unit.

Second, a trademark registrar must adopt effective measures to protect his trademark properly. If he finds his trademark rights are being violated, he can—upon obtaining necessary proof—file a suit with the Administration for Industry and Commerce and a law court or with an administrative organ for economic relations and foreign trade.

Third, all levels of administrative organs for economic relations and foreign trade must act strictly in accordance with the provisions of the Trademark Act and should render necessary support for the complaints lodged by a unit the trademark rights of which are violated. They must deal with trademark violators sternly, whether they are units that supply trademarked goods, or not. Enterprises that abuse the trademarks of others to a serious extent or that do not change this practice after repeated warnings must be punished. Persons with the main responsibility should be given necessary administrative punishments.

[Signed] 20 March 1992

The Ministry of Foreign Economic Relations and Trade

#### **Ministry Reissues Circular**

HK2103150194 Beijing GUOJI SHANGBAO in Chinese  
2 Mar 94 p 2

["Ministry of Foreign Economic Relations and Trade Circular on Carefully Examining Commodity Trademarks When Registering Export Enterprises"—promulgated by Ministry of Foreign Trade and Economic Cooperation on 5 October 1993]

[Text] In recent years, when some local departments in charge of trade and the economy examined and approved applications by large and medium enterprises to operate import and export businesses, and when they examined and approved applications by foreign trade companies and foreign-funded enterprises to become established, they neglected the examination and investigation of the problem of trademarks used by enterprises for importing and exporting commodities. As a result, after the enterprises had established themselves, they randomly used other people's trademarks and infringed upon the rights of the people who had registered the trademarks, to the extent that many disputes on use of trademarks have emerged and many enterprises fight to sell a commodity with the same trademark in the same market, causing chaos, a decrease in price, and damage to the reputation of the trademark.



In light of the abovementioned situation, various economic and trade departments and commissions, as well as foreign trade bureaus, are hereby requested to seriously look into the problem of the use of trademarks for export goods by enterprises, when they declare import and export operation rights for production enterprises and approve the establishment of various kinds of foreign trade companies and foreign-funded enterprises. Regarding: Those production enterprises which have relied on the registered trademarks of other people for a long time but have been unable to obtain permission from the patent holders of the registered trademarks; the trademarks of commodities operated by enterprises and causing registration disputes between manufacturers and traders inside the country; those enterprises which have names the same as the registered trademarks of other people and their exports are the same or similar to the commodities with trademarks registered by other people; and regarding other activities which jeopardize the reputation of the registered trademarks of other people, which violate the law on trademarks, and which might cause disputes on use of trademarks, no declaration, examination, and approval is to be carried out.

Regarding the disputes on the use of trademarks which have already emerged, the departments which gave the original declaration and approval should mediate a solution according to law. As for the cases which cannot be effectively settled by administrative mediation, which cannot be solved for a long time, which affect normal operation of enterprises, and which disrupt export order, the persons who possess the registered trademarks can report to the law enforcement organs for arbitration according to law.

[Signed] Ministry of Foreign Economic Relations and Trade

[Dated] 16 July 1991

#### Ministry Reissues Guidance on Handling Foreign Loans

HK2103144394 Beijing GUOJI SHANGBAO in Chinese 2 Mar 94 p 2

[A letter by the Ministry of Foreign Economic Relations and Trade on Direct Handling of Procedures for Money Borrowed From the International Economic Cooperative Fund (Promulgated by the Ministry of Foreign Trade and Economic Cooperation on 5 October 1993)]

[Text] The "Provisional Management Method For the International Economic Cooperative Fund" promulgated by the Ministry of Foreign Economic Relations and Trade [MOFERT] and the Ministry of Finance on 24 October 1984 stipulates: "MOFERT is responsible for the management of the 'fund' whereas detailed business dealings will be entrusted to the Bank of China and the Construction Bank in accordance with the division of foreign exchange and renminbi." In the last few years the two banks have done a great deal in handling this professional work, playing a positive role in promoting China's foreign-related labor services. However, viewing the implementation of the provisional method, the management of the

"fund" seems to have been out of line with the detailed handling of loan business, making it difficult for MOFERT to know about the use and recovery of the funds on loan or the collection of management fees for it. To further strengthen the management of the cooperative fund, MOFERT has now decided, with the approval of the Ministry of Finance, to take direct charge of the "fund's" loan business as of 1 January 1991, whereas the "fund's" foreign exchange and renminbi deposits will continue to remain in the two banks. The funds which are released on loan before the end of 1990 will still be handled by the two banks until their recovery. [Signed] The Ministry of Foreign Economic Relations and Trade, [Dated] 17 September 1990.

#### National Inspection of Labor Conditions To Start 1 Apr

HK1903055294 Beijing CHINA DAILY in English 19 Mar 94 p 1

[By staff reporter Cao Min: "Jobs Probe to Boost the Rights of Workers"]

[Text] The Labour Ministry is to launch a massive employment inspection to ensure workers' conditions meet State standards, it was revealed yesterday.

The inspection will cover all urban and township enterprises whether they are Chinese or foreign-funded, a ministry spokesman said.

And it will run from April 1 until June 30.

Among the things labour departments will be checking is whether enterprises have violated the law by using child labour or making women work in unsuitable jobs, the official said.

The inspectors will also check contracts, wages, working hours, insurance and welfare treatment, the official added.

The imperfect legal system and a lack of government supervision have caused a sharp rise in the number of labour disputes in China since the beginning of last year, said a recent Labour Ministry circular.

The Beijing-based China Electronic News said there were more than 10,000 disputes last year, and the Labour Bureau in Shenzhen Special Economic Zone alone reported 2,353 in the first half of the year.

Some enterprises, particularly those outside State ownership, have violated labour laws and regulations, infringing workers' legitimate rights and interests.

The Shenzhen Special Zone Daily said a local joint venture hotel owed 238,000 yuan (\$27,300) in back salaries to its employees in January.

Some employers paid little heed to their workers' health and made them work prolonged hours.

These firms also often ignored workers' safety.

Some trade union officials on the Chinese People's Political Consultative Conference (CPPCC) have tabled proposals urging better protection for workers, particularly in

foreign-funded firms, at the current Second Session of the CPPCC Eighth National Committee.

The government is very concerned about the problems and has instructed labour departments to look into them thoroughly, said the official.

Any illegal practices will be dealt with and those found guilty will be warned, fined or may lose their business licence.

The Labour Ministry hoped industry, commerce and public security administrations plus trade unions and women's and youth organizations would work with labour departments during the inspection.

It has also urged the country's mass media to publicize labour laws and regulations and provide consulting services on policies and laws.

#### State Council Approves Beijing Urban Construction Plan

*HK1903041194 Beijing RENMIN RIBAO in Chinese 2 Mar 94 p 1*

[By reporter Yan Shigui (7346 0013 6311): "State Council Approves 1991-2010 General Plan for Beijing's Urban Construction"]

[Text] Beijing 1 Mar (RENMIN RIBAO)—A few days ago, the Beijing Municipal People's Government released to the press the State Council's official, written reply dated 6 October 1993 concerning the "General Plan for Urban Construction of Beijing," approving Beijing's 1991-2010 general urban planning which Beijing Municipality has worked out on the basis of the specific situation of the capital. With the general urban plan as guidance and through unremitting efforts, the reply calls for building Beijing into a famous city of history and culture and a modern international metropolis with a flourishing economy, social stability, various public utilities and services, infrastructure, and an ecological environment of the highest world level.

The official written reply of the State Council stresses that Beijing is the capital of our great socialist motherland and is the political and cultural center of the whole country.

It is necessary to give prominence to the characteristics of the capital, give play to its strong points, energetically readjust the structure of production and the layout of land use, promote the development of high and new technology and tertiary industry, and endeavor to bring about unity in economic results, and social and environmental benefits. The State Council reaffirmed: Beijing should not develop heavy industry any more, especially not industries which consume a lot of power and water, take up a lot of land, involve much transportation, lead to serious pollution, or cause a lot of troubles for the people.

It is necessary to control the population and the scale of land use. By 2010, the registered population of Beijing Municipality should be limited to around 12.5 million (the number of those in the urban area should be limited to around 6.5 million). The key to control of the population

in the urban area lies in controlling the increase in the number of people moving in.

It is necessary to earnestly protect and improve the ecological environment of the capital. It is necessary to build and perfect the urban greening system, to promptly and strictly protect and implement plans for green areas which separate groups of urban areas, to ensure sufficient green spaces in urban areas, and to form a rational urban framework and development pattern. It is necessary to continue to grasp firmly work to prevent atmospheric, water, and noise pollution and pollution caused by industrial waste and garbage. It is necessary to strictly control the development of polluting industries in urban areas, especially in water sources and the windward side of the city. Regarding existing polluting projects in the urban area, it is necessary to make readjustments and gradually move them away. It is necessary to resolutely meet the requirements set in the plan concerning layout structure, density, stringent controls, and so not to go beyond the limits set.

Beijing is a famous ancient capital and is also a city noted for its history and culture. Its urban planning, construction, and development must be able to protect the history, culture, traditions, and the entire pattern of the ancient capital, and to give expression to the organic integration of the national traditions, local features, and the spirit of the times. It is necessary to make great efforts to raise the level of planning and design and to create a good image for the capital of our great motherland.

It is necessary to speed up modernization of the urban infrastructure. The State Planning Commission will take the lead in holding joint discussion with departments and localities concerned as soon as possible to work out construction plans for major projects to lead water from the south to the north; to pipe natural gas from Shaanxi, Gansu, and Ningxia to Beijing; to build the Beijing-Tianjin Canal; and to work out steps for implementing these plans. It is necessary to step up implementation of the strategy for the development of transportation in Beijing, to make great efforts to develop underground railways, light railways, and other mass transit public facilities, to further improve the expressway system, to construct modern transportation facilities, and to form as soon as possible a modern, comprehensive transportation network.

#### Unrest Said Rising Among Unpaid Coal Miners

*HK1903053594 Hong Kong SOUTH CHINA MORNING POST in English 19 Mar 94 p 8*

[By Chris Yeung]

[Text] Millions of coal workers are enduring increasing hardships as payment of their wages is held up. The disgruntled miners have become a threat to stability, a meeting of China's main consultative organ was told yesterday.

A democratic party leader, Wu Jing, said about 78 percent of workers, or 2.5 million, in the country's 94 major coal mines did not receive wages from their coal industry



bureaus. The total amount of outstanding wages stood at 1.8 billion yuan (HK\$1.59 billion). Some coal industry bureaus owed workers more than four months' back pay, said Mr Wu, a leader of the Revolutionary Committee of the Chinese Kuomintang, one of the eight democratic parties. Mr Wu told the Chinese People's Political Consultative Conference that this had caused a critical drop in workers' living standards. "Elements of instability in coal mines and petitions have increased," he said. "There are more theft cases. The disgruntled workers have worked to rule. The cases of reprisals and assault (by workers against cadres) have gone up." He urged the various ministries to help retrieve the debts owed by other industries. Inconclusive statistics have put the debt total at 19.1 billion yuan last year.

The "helping hand" given by central leaders last year to grant emergency funds only managed to provide superficial relief, he said. Mr Wu said the State Council should stop coal suppliers to industries which failed to pay their debts to the coal companies.

The democratic party leader also warned that unauthorized coal mining activity in villages and townships had become rampant, resulting in more industrial accidents and huge wastage of coal resources. More than 80 per cent of the 68,000 coal mines in villages and townships did not meet the Government's safety standards, Mr Wu said. Aside from these, about 30,000 coal mines were illegal. Mr Wu said at least 2.4 billion tons of coal had been wasted because of the chaotic tapping of the resources by unauthorized coal mining companies.

A total of 3,697 people died in rural coal mines last year. The cost for every one million tonnes of coal produced was 8.5 lives.

Senior Chinese leaders have promised to take immediate action to solve the problem of coal mine workers' wages at meetings with National People's Congress' delegates from Jiangxi, one of the major coal mine industry strongholds.

#### Bank Officials Explain Monetary Policies

HK2103145894 Hong Kong TA KUNG PAO in Chinese  
18 Mar 94 p 2

["Special dispatch" by staff reporter Ma Ling (7456 3781): "China's Central Bank To Adopt Measures To Solve Problem of Circulation of Hong Kong Currency in Shenzhen and Other Localities"]

[Text] Beijing, 17 Mar (TA KUNG PAO)—Three vice presidents of the mainland's central bank said at a news conference today that, regarding the issue of allowing Hong Kong's currency to circulate in Shenzhen and other places, the central bank will adopt some specific measures to resolve this problem while taking into consideration the economic relationships between the Zhu Jiang delta and Hong Kong and Macao.

They also said that the central bank will not support Chinese-funded enterprises engaging in real estate speculation in Hong Kong; that foreign banks will be allowed to

carry on renminbi business once conditions and the climate mature; and that, after the foreign exchange trading market begins operation on 1 April, foreign banks can participate in the market if they are trusted by customers.

The above remarks by bank Vice Presidents Zhou Zhengqing, Dai Xianglong, and Chen Yuan, were made at a news briefing held by the "Two-Session" News Center for the People's Bank of China (PBC).

Answering a question asked by a reporter about whether Hong Kong currency will continue to be used in the Zhu Jiang delta, Zhou Zhengqing said: Any sovereign state in the world will not allow foreign currencies to circulate in its country. When exchange rates were unified in China, the relevant authority unequivocally indicated that foreign currencies were forbidden from circulation within the borders. As to the specific problems encountered by Shenzhen during the transition period, as it is a special economic zone which has many contacts with Hong Kong and Macao, we will adopt some specific measures to resolve them by considering the advantages of economic development with Hong Kong and Macao. As to the impact caused by the substantial amount of Hong Kong dollars flowing back into Hong Kong, Zhou Zhengqing said they were aware of the situation as the Hong Kong monetary administrative authority had informed China's central bank of the matter.

When asked about the central bank's views on Chinese-funded organizations which engage in real estate speculation in Hong Kong, Chen Yuan definitely said that the central bank opposed conducting such speculative activities because China is a country which practices exchange control and which is seriously short of funds for construction. However, if a few Chinese-funded enterprises needed to increase office and residential premises because of their business expansion, they are allowed to buy some properties so long as they are not involved in speculation. With regard to property mortgages extended by the Bank of China (BOC) in Hong Kong, Chen Yuan disclosed that the BOC conducts its business activities in Hong Kong independently without being restricted by the PBC, so it may carry on property mortgage business according to the market conditions, for which the PBC will not show any special concern.

Regarding the issue of allowing foreign banks to carry on renminbi business, Zhou Zhengqing said: Taken from the reform orientation and from a long-term perspective, it is necessary to resolve this issue gradually. However, this requires certain conditions. For example: First, it is necessary to ensure that after foreign banks carry on renminbi business, they must be on an equal footing with the Chinese banks in terms of tax requirements so that there is a foundation for equal competition. Second, our commercial banks have just been established and they need a process of gradual development and perfection. Third, our banking laws and regulations are not yet sound, and we are now speeding up the formulation of a series of banking laws and regulations including the "law on central bank," "law on commercial banks," "securities law," "bills law," "insurance law," and so on. When these conditions

mature, the issue of carrying on renminbi business by foreign banks will be promptly settled.

Discussing the foreign exchange trading market that will begin operations on 1 April, Zhou Zhengqing said the 13 domestic banks [as published] will all enter this inter-bank foreign exchange trading market, and foreign banks, if entrusted by their customers, may also enter the market and engage in trading according to foreign exchange regulations.

Although a well-known economist strongly appealed to change the current phenomenon of negative interest rates in order to reduce the adverse impact on the economy, Zhou Zhengqing thought it better for the mainland's interest rates on deposits to maintain stability rather than making readjustments now because deposits are still increasing by a large margin and there is a favorable situation in the withdrawal of currency from circulation in January and February, which is conducive to economic development.

He stressed that, as the objective of monetary reform this year, China will institute three systems and achieve genuine results in two aspects. The three systems are: a macroeconomic regulation and control system for the central bank which carries out monetary policies independently under the leadership of the State Council; a monetary organizational system under which policy banks are separated from commercial banks and multiple financial institutions co-exist, with state-run commercial banks as the main body; and a financial market system characterized by unified openness, orderly competition, and strict management, so that the PBC will be a genuine central bank and the commercial banks will be run as genuine commercial banks.

He further pointed out: In order to realize the major targets for China's macroeconomic regulation and control this year, the principal duty of the central bank this year is to stabilize the currency. To this end, the central bank will adopt the following four measures in 1994: 1) Strictly control the increase of total credit volume of the state-owned banks and the base currency of the central bank and strictly control loans for fixed assets in particular. 2) Strictly control loan supply and vigorously organizing withdrawal of currency from circulation. 3) As of this year, suspend the overdrafts and loans of the Ministry of Finance from the central bank, and from this year onward, depend on treasury bonds to make up for the balance of financial revenue and expenditure of the central bank. 4) Intensify monetary supervision and control and maintain normal monetary order. As for the concrete measures for controlling inflation, he summed up the following three points: 1) Strictly control investment in fixed assets. 2) Ensure the comprehensive development of the rural economy, particularly the production of daily necessities including grain, cotton, edible oil, and so on. 3) Ensure the basic equilibrium of total demand and supply.

Dai Xianglong said emphatically: Since the second half of last year, the central bank has practiced a "steady" monetary policy—neither stringently tightening up money

supply nor excessively easing it. At present, the ratio of provision in commercial banks is relatively high, and there is a fairly large scope of credit. The credit scope for the second quarter will be fixed and assigned very soon. He added: "In a bid to guarantee a steady economic growth, we do not practice a retrenchment policy."

#### **Expert Says Many Minerals To Be Exhausted by Year 2000**

*HK2103141494 Beijing ZHONGGUO XINWEN SHE  
in English 1129 GMT 21 Mar 94*

[Text] Beijing, March 22 (CNS)—Deputy of the National People's Congress, Mr. Wang Zhongying, who is also a senior engineer of the Ministry of Geology and Mineral Resources, said in an exclusive interview with this agency that by the year 2000, more than 50 percent of 45 key varieties of mineral resources in China will have been exhausted. If the current excessive exploitation of such resources continued, the shortage of natural resources would further restrict the national economy in the next century.

According to Mr. Wang, China can be called a big country of natural resources, but at the same time it was a small country in this sector when such resources were calculated based on per capita possession with its per capita water resources accounting for only one-eighth of the world average. Owing to imperfections of legislation, the destructive exploitation of natural resources was rampant in many places in the country. The panning of gold, for example, achieved a mere ten percent exploitation rate in some places, resulting in great losses.

Mr. Wang said that small-sized coalpits accounted for 30 to 40 percent of the total number in the country, leading not only to a low rate of exploitation and usage but also frequent accidents. He warned that if there was no improvement in its exploitation of coal, China would face a serious shortage of such resources by the year 2005, though the country now ranked among the leading countries in the world in terms of coal reserves.

According to this expert, China has 70 to 80 percent of the proven rare-earth reserves in the world. He criticized Guangdong, Guangxi and Jiangxi, which are rich in this mineral, for their mismanagement of exploitation of these natural deposits and for their devaluing the export prices of these minerals against each other among themselves with rare-earth prices dropping to RMB 40,000 per tonne from RMB 80,000 per tonne one year ago.

Mr. Wang called on all parties concerned to pay greater attention to the protection and proper use of the limited mineral resources in the country, saying that the resources issue should be considered a basic national policy such as the population and environment issues.



**Journal Views New Deng Instructions on Reform**  
*HK1903062594 Hong Kong KUANG CHIAO CHING*  
*in Chinese No 258, 16 Mar 94 pp 16-17*

[Article by Chang Min-kuang (1728 2404 0342): "Deng Xiaoping Issues New Instructions on Work in 1994"]

[Text] In 1993, China's GDP reached 3,138 billion yuan and GNP exceeded 1,000 billion yuan, an increase of 13.4 percent over 1992 and the biggest increase in the world. China hopes to see a 9 to 10 percent economic growth rate in 1994 and an inflation rate of less than 10 percent. Can these targets be reached? How does the political and economic development look like in China this year? Various sides have expressed great interest.

This will be a year of great reform in China. Will the reform bring risks and problems? Judged from China's actual conditions at this time, the risks will not come from the reform itself but from the following several aspects:

1. The scale of fixed assets investment is too large; last year it reached 1182.9 billion yuan, a 50 percent increase over 1992. This trend is still strong this year and passing the point of what the country can bear. If it is not brought under effective control the consequences will be huge.

2. The agricultural problem is still pronounced, and although last year's farm products harvest was a record and the increased value of agriculture for the whole year was 665 billion yuan, the overall future situation does not allow for optimism.

3. Some localities have differing opinions from the leading departments: "When the upper level has a measure, the lower level has a countermeasure," actions are not coordinated, and a "local lord economy" has emerged.

Quite a number of officials, enterprises, and commercial and trading departments compare speed, talk about layout, and opt for high consumption, paying no attention to efficiency, cost cutting, and stopping losses. They are not interested in strengthening management nor have they adequate concern for the people's sufferings.

4. The anticorruption drive and reform of the public service system are also problems. Just as Jiang Zemin said, the anticorruption drive must be a persistent battle and must be supported by the system, whereas when reforms of several systems are carried out simultaneously, the conflicts become more pronounced.

**Deng Xiaoping Supports Jiang Zemin in Personally Formulating the 1994 Reform Plan**

However, Zhu Rongji said: Reform certainly is risky but not carrying out reform carries an even bigger risk. Deng Xiaoping expressed great support when Jiang Zemin personally formulated the 1994 reform plan, and Deng said: "Do not be afraid to take risks, be bolder. If one fears the wolves in front and the tigers behind, then one cannot walk."

**Reform Is Risky But Not Carrying Out Reform Is More Risky**

At present, some localities are indeed very rich, while the central authorities have experienced a serious revenue drain and the state has not been able to settle the deficit for many years. If changes are not made, then things will be more difficult.

In the past two years, China's foreign trade deficit has rapidly soared while its exports have decreased. In January this year, imports surpassed exports by \$900 million; according to a calculation based on this figure, the unfavorable trade balance will reach \$10.8 billion for the whole year. Because the unfavorable trade balance will continuously expand every year, the state will have less income from foreign exchange, capital will drain, and if China does not seriously carry out reform of the foreign exchange system, things cannot go on like this.

Over the past many years, in the tradition of the planned economy, the "symptom of being thirsty for investment," which was characterized by mutual comparison and ceaseless expansion of the investment scale, was banned by repeated orders but it was not cured for a long time. It became even more prominent and rampant when more efforts were made to tackle it, to the extent that output was superficially large, the investment scale was even larger, but most projects had poor returns, low quality, many loopholes, and shortages of funds. This phenomenon was particularly prominent in local provinces, cities, counties, towns, and enterprise development zones. If control is still not realized in the areas of finance and the financial system, it will disrupt China's economic development.

**Deng Says: Make Some Adjustments When Problems Are Found**

For this reason, Deng Xiaoping demanded they "be bold and careful, promptly sum up experiences, make some adjustments when problems are found to enable things to accord with reality."

Responding to the situation, Deng Xiaoping also pointed out recently that: "To make the reform a success, it has to be carried out in an orderly manner and with guidance; without this condition, things become chaotic and people go their own ways. Thus, how can things be done?"

Deng also said: "The CPC Central Committee and the State Council should have authority; without authority they cannot control the situation."

**Deng Xiaoping Says: "Macromanagement Must Be Embodied in the Central Leadership's Ability To Keep Promises"**

At the same time as China pursues a market economy, it must continue to carry out macroregulation and control; according to an estimate by the senior level in China, macroregulation and control must be continuously carried out for 10 or 20 years. Deng Xiaoping said that the most crucial thing is that "macromanagement must be embodied in the central leadership's ability to keep promises." Where Does Enterprise Reform Go From Here?

This year, China will implement the "10,000, 1,000, 100, and 10" "mechanism-changing and system-building" plan. This means: Granting 14 kinds of decisionmaking power to 13,000 state-owned large and medium enterprises to enable them to really change their operational mechanisms and accomplish the work of sorting out assets and auditing capital; send supervisory committees to 1,000 key and backbone enterprises which have a bearing on the national economy and the people's livelihood, to supervise state-owned assets batch by batch; select 100 state-owned large and medium enterprises to try out a modern enterprise system; and choose 10 cities to carry out a pilot program to reduce unreasonable burdens in enterprises and increase their self-owned circulation funds.

Li Peng said that at present the first thing to do is to organize 100 state-owned large and medium enterprises to try things out. The reform of state-owned enterprises is to, first, make it conducive to enhancing vitality among state-owned enterprises; second, to enable state-owned enterprises to preserve their value and increase output value; and third, to make it conducive to maintaining social stability.

In order to promote technological progress among enterprises, this year, China will allocate 250 billion yuan for investment in technological transformation, to mainly support 100 capable and large enterprise groups to establish technology centers; and to organize 100 important state technological development and industrial experimental projects, 100 key locations for promoting and demonstrating new technology, and 10 high-tech industrial projects "combining production, study, and research." The State Council will also abolish its "Important Technology and Equipment Leadership Group," handing its business to the State Economic Commission.

In future, state-owned enterprises will become independent "tax payers" who have rights over property as a legal person and who make own decisions on operation and take sole responsibility for gains and losses, while the state, as a capital contributor, will only enjoy ownership rights proportional to the funds it contributes to the enterprises and will shoulder limited liabilities. The unitary ownership system among state-owned enterprises will be changed and, except for some state-owned enterprises, other state-owned enterprises will be allowed to absorb nonstate-owned funds as shares, whereas the enterprises solely funded by the state or with an absolute majority of shares held by the state are considered state-owned enterprises. The market law of survival of the fittest will be implemented. Enterprises which make losses over a long period of time and which have capital smaller than their debts must be declared bankrupt according to law.

#### **Fixed Asset 'Speculation' Called Source of Inflation**

HK2003063594 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 20-26 Mar 94 p 1

[By Jin Man: "Against Inflation, Long Odds"]

[Text] If everything it has up its sleeves works, China will have an easy time this year reining in inflation.

That's a big if. Last week the country's top bankers announced four anti-inflation measures, including nipping runaway investment in fixed assets.

However, speculative moves have again pushed up the prices of raw materials beyond their real value.

Steel prices, for instance, have risen to around 4,000 yuan (\$459.80) per ton from below 3,000 yuan (\$344.83) per ton at the end of last year. The prices of crude oil and some other major products are also expected to rise soon.

The State has budgeted 1.3 trillion yuan (\$149.4 billion) for investment in fixed assets this year, and the People's Bank of China, the central bank, has vowed to prevent any violation of the ceiling.

But others speculate that at least 1.5 trillion yuan (\$172.4 billion) will actually be forked out.

Vice-Premier Zhu Rongji warns that such speculation could well threaten the stability of prices.

In January, in fact, inflation in 35 large cities exceeded expectations by rising to 23.3 per cent. The government has said it wants to contain inflation this year to 10 per cent compared with 13 percent last year.

A senior Chinese economist who asked not to be named says two basic factors determine inflation.

One is the scale of investment in fixed assets. Failure to restrain capital spending will lead to excessive growth in the money supply.

The other factor is the prices of such basic goods as grain, cotton edible oil, meat and sugar.

"The real threat of inflation does not come from the price hikes of the latter, because people's purchasing power will grow at the same pace," the economist said.

Besides, the State has pledged to stabilize agricultural production this year to avert drastic price increases.

"What unsettles me most is a possible ballooning of the money supply," he said.

He said inflation may well surpass 10 per cent, but not to the point where the economy will collapse.

"It will be an uphill battle to fight inflation this year, and we need deft direction of the financial ropes and of public psychology," he said.

In some regions inflation has been pushed up by free-wheeling price rises in defiance of State orders. Local governments have also winked at big wage increases to dilute public fears about devaluation.

Reliable sources say that despite an impending rise in the price of crude oil, the price of oil products must be kept stable or even lowered to protect consumers, especially farmers. Higher prices for oil products would deal a hard blow to farmers, jeopardizing grain output.



The State's major tools for curbing inflation include controlling wages, restraining borrowing from banks to offset budgetary deficits, and bolstering agricultural production.

#### **Partnerships With Foreign Firms 'To Ensure' Aviation Fuel**

HK2003063794 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 20-26 Mar 94 p 2

[By Xie Yicheng: "China, Low On Jet Fuel, Is Given A Foreign Lift"]

[Text] China will set up a partnership with foreign oil firms to ensure enough aviation fuel for its sharply expanding air fleets.

Years of robust growth in air travel have created a shortage not only of pilots and air controllers, but of aviation fuel.

Indeed, last year airports in a dozen cities including Fuzhou, Harbin and Chongqing had to restrict fuel use, forcing flights to be delayed or cancelled.

Now, major construction of refueling facilities is under way across China to boost aviation fuel supply and shipping capacity. And overseas oil investors, eager to pry open the lucrative Chinese aviation fuel market, will take an active part.

To accomplish this the China Aviation Oil Supply Corp (CAOSC), the country's sole supplier of fuel, is preparing to turn three of its seven regional branches into Sino-foreign joint ventures.

Letters of intent were agreed on late last year for setting up joint ventures with British Petroleum in North China, France's ELF in East China, and the Netherlands' Vitol in Central and South China.

The three regional branches, which account for 80 per cent of the corporation's profits and half of its employees, are responsible for supplying fuel to China's busiest air traffic areas.

Bai Zhijian, president of CAOSC told Business Weekly that poor refueling capacity and congested railway transport have crimped the supply of aviation oil, posing more obstacles to speedy development of civil aviation.

The CAOSC's bold strategy is imperative if the huge amount of capital needed to modernize the supply and storage system is to be raised, Bai said.

Foreign know-how and managerial skills will also help make the corporation more competitive, he said.

"The co-operation projects will enter the substantive stage if we get final State approval," Bai said without elaboration.

But he did say that Chinese will control the ventures' tangible and intangible assets like market access and good will while the foreign firms will put up cash but will hold smaller stakes.

CAOSC is seeking 4 billion yuan (\$460 million) from investors to upgrade old refueling equipment and build new systems throughout China by the turn of the century.

Last year, the completion of nine oil depots, like the one at Beijing Capital Airport, augmented storage capacity by one-third to 840,000 cubic metres. New oil pipelines with a total length of 37 kilometres were also put into service.

"But the current storage capacity is still far short of demand," Bai stressed.

So high on this year's schedule is construction of bases in Tianjin, Shanghai, Guangzhou and Beihai to handle imported fuel, which is surging in to fill the gap in domestic supplies.

Each base will consist of oil jetties, pipelines and depots, and is tailored for the long-term needs of the country's northern, eastern, southern and southwestern regions, respectively.

Bai said that work on the Tianjin base will begin first, in June. It will involve building a 140,000-cubic metre oil transfer farm in Tianjin Harbour, burying a 52-kilometre pipeline to the oil depot at Tianjin Airport, and laying another 132 kilometre pipeline to Beijing Capital Airport.

#### **Chemical Production, Import, Export Figures Reported**

HK2003064494 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 20-26 Mar 94 p 8

[By Qiu Qi: "Chemical Industry Responding To Demand"]

[Text] China's chemical industry will focus on restructuring its major products this year.

This is part of the industry's plan for 1994 released recently by the Ministry of Chemical Industry.

The ministry also predicted that the industry's annual output value this year will reach 190 billion yuan (\$21.9 billion), up 8 percent over the previous year, and its export value will climb 15 per cent from 1993.

The annual output of major chemical products such as fertilizer, pesticides, sulphuric acid, caustic soda, soda ash and tyres will exceed State targets, the ministry said.

And the industry will speed up restructuring its products to meet demand.

In 1993, the output value of radial tyres, which are needed in large numbers by the automobile industry, accounted for 10.7 percent of the overall total, considerably above the 7.5 per cent of 1992.

More than 70 kinds of boll-weevil pesticide were used to ensure a stable and high production of cotton in 1993. The figure is 1.3 times that of 1992.

The chemical industry's output value last year hit 178.79 billion yuan (\$20.55 billion), 7.2 per cent more than in 1992.

Shanghai and the provinces of Shandong, Jiangsu, Liaoning and Guangdong reported total chemical industrial output worth 10 billion yuan (\$1.15 billion).

In the first 11 months of 1993, the value of China's chemical exports reached \$9.97 billion, up 27.3 per cent from the same period in 1992.

Of the exports, the value of fine chemicals and finished products rose sharply and surpassed that of materials and unfinished products.

During the same period, China imported 11.02 billion yuan (\$1.27 billion) in chemical products, 1.6 per cent more than the corresponding period in 1992.

Chemical sales in 1993 jumped 19.3 percent over the previous year. And more than 98 percent of the goods manufactured last year were actually sold, up 2.16 percent over 1992.

During the year, safety was improved with the renovation of equipment. The number of accidents reported declined by 10 per cent.

At the same time, the ministry pointed out that falling profits as well as the rising number of debt plagued enterprises hindered the industry's development last year.

In 1993, the country sold 82.73 million tons of fertilizer, 18.2 percent less than the previous year. Output fell 6 percent to 91 million tons.

Last year's declining profits are mainly the result of huge increases in the prices of chemical materials, according to the ministry.

Because of inflation, the cost of materials used to make fertilizer rose by 3 billion yuan (\$345 million) or 1.36 times the industry's total pre-tax profits in 1992.

### Freight Volume Growth Slows, Passenger Volume Drops

HK2003064594 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 20-26 Mar 94 p 8

[By Qu Yingpu: "Statistics: Transport Growth Slows Down"]

[Text] Transportation, which walked out of two consecutive months of the doldrums in January, witnessed a slow-down of its growth again last month, according to the latest figures from the State Statistics Bureau.

Freight transport volume in the first two months of this year went up only 4.7 per cent, a much slower growth rate than the 10.9 per cent rise in January, but still far above the 0.2 per cent decline for the whole of last year, a report from the bureau said.

Meanwhile, passenger transportation slumped again. A 2.9 per cent decline was reported for the January-February period. The drop for January alone was 2.8 percent, while the dip was 11.9 per cent for last year.

Freight transport volume stood at 432 million tons in the first two months of this year, the report said.

Of the total, rail freight registered a growth rate of 3.8 per cent to 246 million tons. Last year's total was 1.57 billion tons, 2.9 per cent more than in 1992.

Truck freight in the period slid by 2.2 per cent to 81 million tons, compared with the decrease of 9.5 per cent last year over 1992.

Boat freight witnessed a growth of 13.3 per cent in the first two months, to hit 104 million tons. The growth rate last year was only 1.5 per cent.

Air freight soared 23.8 per cent to 109,000 tons in the January-February period, compared with the 20.9 per cent increase registered in 1993.

Freight turnover in the two months—an important indicator in monitoring unit labour productivity and economic efficiency—witnessed a growth of 7.7 per cent to hit 412.21 ton-kilometres. (One ton-kilometre is one ton of cargo transported one kilometre.) Last year's increase was 2.6 per cent.

Of the total, railways reported a 6 percent rise to 188.38 billion ton-kilometres, while truck freight turnover inched up 1.9 per cent to 4.71 billion ton-kilometres.

Air freight turnover generated 248 million ton-kilometres, a 20.8 percent jump, and boat freight turnover climbed 9.3 percent to 218.87 billion ton-kilometres.

Total passenger volume stood at 862 million in the January-February period, the report said.

Volume breakdown shows 175 million people travelled by rail, up 1.2 per cent, while 656 million travelled by buses, down 3.6 per cent.

Some 27 million people travelled by boat, down 13.8 per cent, while 4.9 million people flew, up a soaring 22.8 per cent.

The passenger turnover in the period reported a 3.4 per cent decline to 99.26 billion person-kilometres.

Of the total, passenger turnover by rail went down 0.9 percent to 58.87 billion person-kilometres, while bus travel turnover dived by 9.9 per cent to 31.13 billion person-kilometres.

Boat travel turnover slid 21.2 per cent to 2.47 billion person-kilometres, while air travel chalked up a 20.8 per cent increase to 6.79 billion person-kilometres.

In February alone, the railways transported 115 million tons of cargo and 88 million passengers.

Major coastal ports handled 103 million tons of cargo in the first two months of this year, 11.4 per cent more than in the same period last year. The growth rate for the whole year of 1993 was 11.2 per cent.

The statistics also indicated that business turnover of China's posts and telecommunications registered a sharp rise of 49.0 per cent in the period to 8.45 billion yuan (\$971 million).



**Bureau Reports Economy 'Developed Healthily' in Jan, Feb**

OW2103120694 Beijing XINHUA in English 1156  
GMT 21 Mar 94

[Text] Beijing, March 21 (XINHUA)—China's national economy developed healthily in the first two months of this year.

The State Statistical Bureau (SSB) said today that the country's industrial output value during this period increased by 18.2 percent over the same period in 1993.

Light industry grew 2.6 percent faster than heavy industry.

State enterprises spent 41.8 percent more on fixed assets during the January-February period this year than last, the SSB said, adding that more investment went to central government projects, transport projects and projects in eastern coastal areas.

China's retail sales reached 235.5 billion yuan in the two months, 25.9 percent higher than last year's same period, a real increase of 5 percent, according to SSB.

According to the China Customs, China's total value of imports and exports reached 22.1 billion U.S. dollars in the first two months, an increase of 17.1 percent over the same period last year.

The country's new bank deposits of various kinds increased 30 billion yuan over the first two months of last year, while the currency issued increased by 13.7 billion yuan.

Retail prices in the whole country rose by 20 percent, and economic efficiency dropped in some state-owned enterprises.

The bureau said that the proportion of enlarged and new projects in the total fixed assets investment reached 77.5 percent from last year's 74.1 percent in the same period.

The bureau called on the government to improve macro-economic control and check the growing trend of inflation.

**First Securities, Futures Fair Planned for Apr**

OW1703073694 Beijing XINHUA in English 0621  
GMT 17 Mar 94

[Text] Beijing, March 17 (XINHUA)—China is expected to hold a securities and futures fair here in late April this year.

The fair, the first of its kind in China, will be sponsored jointly by the Ministry of Finance, the newspaper "CHINA SECURITIES", the Beijing Commodity Exchange, China International Futures Brokers Ltd, and several other Beijing-based agencies and companies.

It aims to spread knowledge of securities and futures and the achievements in the development of the joint stock system, and to promote the issuing of treasury bonds.

**XINHUA Reports More Young Scientists Becoming Entrepreneurs**

OW2103124794 Beijing XINHUA in English 1229  
GMT 21 Mar 94

[Text] Shanghai, March 21 (XINHUA)—Zhang Baochang, a 32-year-old intellectual, believes in luck.

Not long after he gained a master's degree specializing in high-polymer research at the East China Institute of Chemical Technology in 1988, he found a job at a science and technology company, which he had hoped for.

"I like what I am doing," said Zhang, now serving as the general manager of the Huachang Polymer Company, one of China's influential producers of preservative materials.

Last year saw his company generate profits totalling six million yuan.

Zhang himself was commended as an outstanding scientist-cum-entrepreneur.

"The reason I like to go in for business is that it gives me a chance to apply sophisticated science to production and fulfill the mission of a Chinese intellectual," Zhang said.

"It was this mission that has made me stay in China and devote myself to the motherland," the general manager noted.

He attributed his company's credit to its high-tech products, and pledged to generate profits amounting to 10 million yuan this year.

Zhang Baochang is typical of the young scientists who have taken up business in China.

According to the latest statistics, there are about 5,000 non-governmental scientific enterprises, just like the Huachang Polymer Company, on the Chinese mainland. Heads of one third of these enterprises are people under 40 years old.

Soon after these enterprises came into existence, they employed a new operational mechanism to display the talents of enterprising young people.

One example is Zhang Jianlong, 33, of the Shanghai Stone Computer Company.

Zhang started as a salesman with the company in 1987. He was promoted to head of the components workshop half a year later because of his excellent work. He became general manager of the company in 1990.

The company's sales income expanded from less than 100 million yuan in 1990 to 150 million yuan last year, developing into one of the largest non-governmental scientific enterprises in Shanghai.

Zhang said, "I am grateful to the company for paving the way for me to do something I'd like to do."

Many young people share his view.

Zheng Baoqi, who has made 25 inventions, is serving as a deputy general manager of the Shanghai Feige (Flying

Pigeon) Telecommunications Equipment Service Department under the Shanghai No. 3 Telecommunications Equipment Plant.

By granting more autonomy to his employees and applying new managerial measures, he made the scientists of the department more enthusiastic about their work, and have completed 12 development projects, bringing in 270,000 yuan in profits a year.

In 1991 Zheng headed his department to set up a joint-venture telecommunications technology company with an American company. Zheng became the deputy general manager in charge of the development of science and technology and management.

His company, with a total of 78 employees, obtained a sales income of 30 million yuan last year by developing advanced telecommunications equipment.

"Only by applying science to production can we display our talents properly," Zheng noted.

The deputy general manager is determined to compete in the international market.

A survey shows that the 900,000 science workers in Shanghai make about 2,000 research achievements a year, applying many of them to production.

The output value generated by the 5,000 scientific enterprises in the city totalled 20 billion yuan last year, and is expected to top 40 billion yuan this year.

Xu Kuangdi, deputy mayor in charge of scientific work, said, "The city is sure to have more such scientists-entrepreneurs as China's social environment further improves."

#### Article Reviews Achievements in Housing Construction

OW2103135094 Beijing XINHUA Domestic Service in Chinese 0746 GMT 26 Feb 94

[By XINHUA reporter Cong Yaping (0654 0068 1627)]

[Text] Beijing, 26 Feb (XINHUA)—If we say "food is the people's no. 1 need," housing should be as important as food. Since the introduction of reform and opening up, China has exerted great efforts to build more houses for its people.

In the past, investments in public housing construction did not yield economic returns. As a result, we ran out of all resources for housing development. In recent years, China has initiated a new investment and loan system for housing development under which the government, units, and individuals jointly undertake responsibility for housing construction, thereby broadening investment channels for housing construction in all sectors and at various levels.

According to statistics, since reform and opening up, investments in China's urban housing construction have seen a momentous increase. From 1979 to 1992, over 400 billion yuan was invested in housing development, more than five times the total in the first three decades after the

PRC's founding; and a total of 1.78 billion square meters [sq m] of residences were built. The urban construction department's estimate puts the present per capita living space of the urban population nationwide at 7.2 sq m. Compared with the years before reform and opening up, the urban residents' housing conditions have been improved markedly.

Since the beginning of last year, various localities have stepped up efforts to construct housing for middle- and low-income urban residents, thereby enabling large numbers of homeless households or households living in hazardous quarters or quarters with inadequate facilities to move into new houses. In the past eight years, housing problems have been solved for nearly 6 million urban households throughout the country. Chengdu city, after helping 8,361 households solve housing problems last year, has recently completed a housing complex with complete facilities covering 32,000 sq m of floor space at the "Anju Gardens" for 500 lucky households. Fuzhou city, promoting housing development in conjunction with housing reform, has revamped some 400 blocks of dilapidated houses of various sizes; and constructed 5 million sq m of houses of all types, 12 10,000-residents compact housing communities, and two dozen medium-sized residential villages in as little as three years. As a result, over 400,000 households have moved into new living quarters while 14,000 households' living conditions have been considerably improved. Xian city has achieved notable results in revamping hazardous houses in low-lying land over the past two years or so; and last year, 10,000 households moved from hazardous to new living quarters. Shandong Province built 11 million sq m of urban houses, thus bringing the per capita living quarters to 8.1 sq m.

In spite of the efforts, housing shortage remains rather acute throughout the country in view of the continuously growing demand in material life and population pressures. At present, 4-5 million households in China live in quarters with inadequate facilities, in addition to some 30 million sq m of hazardous houses awaiting to be repaired. The Construction Ministry is clearly aware of the need to take action. Commenting recently on pricing problems in commercial housing construction, Vice Minister Li Zhen-dong said: It is necessary to adopt different policies for people with various incomes to solve housing problems in a variety of ways, establishing a social security-type marketing system of "economy housing" for households with medium income, as well as a commercial housing marketing system for high-income families, with active assistance from the government toward economy housing construction. To keep housing construction prices as low as possible, especially the construction of housing with complete facilities, housing with minimum profits, and housing for people living in quarters with inadequate facilities, the government will adopt preferential policies to make housing sales prices as close to workers' wages as possible, and will provide assistance in terms of construction plans, land supply, funding arrangements, and loan interest rates. Meanwhile, the government will institute a policy-lending mortgage system for individual housing



sales by providing long-term low-interest loans at government designated banks for the sales of housing with marginal profits and for people with housing problems.

On the quality of housing construction, Construction Minister Hou Jie recently said: To solve housing problems, it is necessary to build more and better quality houses and improve the management to provide comfortable, convenient, and satisfactory living quarters for people. Housing quality and environment should be the top priority in housing construction.

At the beginning of this year, the Construction Ministry urged all localities to solve housing problems by speeding up construction as well as housing and real estate development enterprises to concentrate their operations on building low-priced economy housing. It will be a year of housing construction this year in China and Chinese people's living conditions will be further improved.

#### **Leadership Worries About Falling Food Production**

*HK2403071094 Hong Kong SOUTH CHINA MORNING POST in English 24 Mar 94 p 10*

[By Willy Wo-lap Lam]

[Excerpt] Central and provincial leaders yesterday held a national conference on farming, which is expected to recommend measures to boost Beijing's control over the vital sector. And major banks announced last night they would earmark special funds to help farmers procure raw materials.

Chinese sources said in spite of the satisfactory harvests last year, the leadership was worried that the desired yields for staples such as grain, cotton and other foodstuff would gradually fall because of farmers' dwindling enthusiasm for these traditional pursuits. A key item on the agenda yesterday was the extent to which procurement prices should be raised. Moreover, to prevent the recurrence of the peasant riots last year, the authorities weighed the possibilities of further lowering agrarian taxes.

In a circular yesterday, banks, including the People's Bank of China and the Agriculture Bank, said they would ensure that farmers get enough loans for supplies such as fertilizers and pesticides.

"To ensure that farmers can carry out their seasonal work, loans to them should be distributed in good time," the circular added. Analysts said Beijing wanted to reimpose some form of production quotas on various provinces with regard to essential produce.

However, regions, particularly industrialized provinces such as Guangdong, had raised objections. Last week, legislators from Guangdong were told they should no longer rely on grain from other provinces or on imports. [passage omitted]

#### **Fu Quanyou on Army's Agricultural, Sideline Production**

*OW1703124494 Beijing XINHUA Domestic Service in Chinese 1014 GMT 16 Mar 94*

[By RENMIN RIBAO reporter Jia Zhaoquan (6328 2507 0356) and XINHUA reporter Zhang Dongbo (1728 2639 3134)]

[Text] Beijing, 16 Mar (XINHUA)— At the All-Army Telephone Conference on Agricultural and Sideline Production, which opened today, Fu Quanyou, member of the Central Military Commission [CMC] and director of the General Logistics Department, demanded that all troops in the entire Army make great efforts to develop agricultural and sideline production to ensure the living standards of officers and men, enhance cohesiveness among troops, and increase fighting capacity.

Fu Quanyou noted: Agricultural and sideline production of the Army is a component part of the country's agriculture. The Army's engaging in agricultural and sideline production plays an important role in relieving the state's burden, supplementing supplies to troops, improving officers' and men's lives, and promoting military reform and building—this is an important matter benefiting the state, the Army, and the people. Over the past years, all troops in the Army have conscientiously carried out the directives of the CMC and the General Logistics Department in increasing agricultural and sideline production through hard work and have basically established a production structure with military farms as the mainstay, brigade- and regiment-run nonstaple food production bases and life service centers as the central links, and part-time production of companies as the foundation. The infrastructure has been gradually improved and the application of science in farming and livestock raising has been upgraded constantly; as a result, the overall production capacity has remarkably increased and a good trend for sustained and stable development has emerged. Last year, the entire Army reaped a good harvest in agricultural and sideline production, producing 650 million kg of grain; 225 million kg of meat, fish, poultry, and eggs; 600 million kg of vegetables; and 700 million yuan in total profits. This has effectively subsidized the lives of troops. Currently, commodity prices on the market are rising rapidly; this has greatly influenced the military life. Despite the fact that the CMC has decided to readjust the standard of military food expenses under the condition of a tight budget for military expenditure, there is still a large gap between the food expenses and the actual prices demanded by the market. To narrow this gap, it is necessary to vigorously increase agricultural and sideline production and increase the Army's self-supply capacity.

Fu Quanyou said: Vigorously increasing agricultural and sideline production is the CMC's constant guiding ideology in strengthening Army building, the basic demand for comprehensively implementing the "Outline for Grass-Roots Military Building," and an important measure for maintaining military stability. As early as 1978, Comrade Deng Xiaoping noted: "It is necessary to run Army's agricultural and sideline production properly." Comrade

Jiang Zemin also stressed: "The Army's engaging in agricultural and sideline production is the display of the Nanniwan spirit, which should be continued persistently." All troops in the Army, particularly leading cadres at all levels, must unify their thinking with the CMC's decisions, adhere to the orientation of serving life with production, and make subsidizing the lives of troops the starting point and goal of expanding agricultural and sideline production.

Fu Quanyou stressed: Party committees and leaders at all levels must strengthen organization and leadership, place agricultural and sideline production on an important position, divide the work and assign special persons to take charge of the work, and study and settle problems on a regular basis. Leaders at all levels should use reform as the driving force, be oriented by the troops' demand and the development in the market, deepen reform, and intensify management to promote the all-Army agricultural and sideline production to a new level.

#### **Project Launched To Improve Life, Health for Poor Farmers**

OW2503035294 Beijing XINHUA in English 0253  
GMT 25 Mar 94

[Text] Beijing, March 25 (XINHUA)—China is to launch a national project to help poor farmers for this summer, according to a board conference of the China Population Welfare Foundation held in Beijing yesterday.

The "Happiness Project" aims to help improve the living conditions and the health of farmers, particularly those in remote and poverty-stricken districts.

The welfare foundation, a non-governmental organization headed by Chinese celebrities, plans to raise funds from around the country and abroad.

Donations are to go toward providing equipment and training to farmers.

The foundation also plans activities to challenge the traditional concepts that favor large families and encourage rural families to have fewer and healthier children.

State Councillor Peng Peiyun, who is also minister of the State Family Planning Commission, said the government will support the project and called on social institutes and individuals to donate or volunteer their time to the effort.

Some rural families, especially those in economically depressed districts, often have more children, particularly boys, to help with field work and support the family.

It is a common scene that the poorer a family, the more children it has.

Peng pointed out that family planning work must be integrated with improvement of living standards and expansion of social welfare services.

She said greater publicity and educational activities should be carried out to teach farmers about advanced production techniques and the state family planning policy.

#### **XINHUA 'Feature' on Deforestation of Guangzhou**

OW2203032394 Beijing XINHUA in English 0105  
GMT 22 Mar 94

[XINHUA "Feature": "Guangzhou in Green Deficit"]

[Text] Guangzhou, March 22 (XINHUA)—Guangzhou, one of the Chinese cities with the most dynamic economy, is now in a green deficit.

While roads are getting wider and skyscrapers are rising higher, trees and lawns are becoming rare in this capital of south Guangdong Province.

Even kapok, the city flower that once bloomed into a beautiful vision of red all over Guangzhou, is taking a good search to find.

Sources from the city bureau of parks and woods said the number of kapoks totals a mere 1,200 in the old town. Most of them are in streets and lanes too out-of-the-way to be seen by visitors.

The expansion of Dongfeng Road is regarded as one of the biggest and most successful projects in urban construction. It now runs from the east to the west end of the city and makes traffic much smoother.

However, walking, cycling or driving right under the scorching summer sun seems to be as irritating as sitting in the bygone traffic jams, and makes citizens long for the cool shadow of the trees that had lined the road for more than 25 years.

The sources said that more than one-third of the trees in the old town have disappeared in road expansion works in the past few years.

Experts from the bureau complained that the government and city-planners seem to regard trees and lawns as mere decorative touches that can be easily obliterated whenever they come into conflict with construction.

For nearly ten years, the city's annual spending on the green cause has stagnated between two to three million yuan, which falls far short of a reasonable necessity, the experts claimed.

Considering that many Chinese cities are facing the same problem, the experts urged that China's city-planners and officials should learn more from their foreign counterparts, and give more space to green land in the concrete jungle.

The experts estimate that Guangzhou will need to invest over 500 million yuan before it can provide each citizen with five square meters of green land, as it plans.

Understanding that the city government alone can hardly supply all of the money, the experts called for all sectors of society to take actions before the green deficit becomes a green crisis.



### Statistics Show Vegetable Prices in Cities 'Skyrocketed'

HK2303024894 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 1000 GMT 21 Mar 94

[Text] Beijing, 21 Mar (ZHONGGUO TONGXUN SHE)—Statistics from the State Statistical Bureau show that prices for fresh vegetables in large and medium cities throughout the country have skyrocketed since last winter.

In January alone, among the 35 cities, Shanghai, Nanjing, Hangzhou, Ningbo, Hefei, Xiamen, Nanchang, and Chongqing saw prices for fresh vegetables rise by 50 percent.

Surveys have identified the following as the main causes of the price hikes: Reduced vegetable farmland—urban development and rapid increases in development zones have taken up much of the suburban vegetable farmland; a sharp contradiction between demand and supply—there has been a noticeable increase in urban consumers and migrant populations, generating an enormous demand for vegetables; increases in the cost of growing vegetables—there have been steep price increases for products that are essential for vegetable production; and insufficient regulation and control over state-owned vegetable markets.

Residents now obtain 98 percent of their vegetables from markets. With the transformation of operational mechanisms slow in coming, state-owned vegetable markets are lagging behind market demand. Overall, the effort to achieve stable macro-regulation and control over vegetable prices has run into considerable difficulty.

### Agricultural Development Programs Receive WFP Assistance

OW2103130494 Beijing XINHUA in English 1233  
GMT 21 Mar 94

[Text] Beijing, March 21 (XINHUA)—China has carried out 55 agriculture development programs in the past 15 years with economic assistance worth 700 million U.S. dollars provided by the World Food Program (WFP).

More than 20 million people have directly benefited from the schemes. This was revealed at a symposium which concluded here today on the subject of WFP assistance for development in the Asia-Pacific region.

Since 1979, when China first participated in the organization, the WFP has supplied great quantities of food, including 9.4 million tons of wheat, 45,000 tons of skimmed milk powder, 15,000 tons of butter and many advanced facilities to China's 55 agricultural development projects, covering 160 poverty-stricken counties all over the country.

Among the projects applauded by local governments and people are improvement of dairy products in six large cities, fish farming in nine large cities, soil erosion prevention on Loess Plateau, protection of pandas in Sichuan Province and production of forage grass in the Xinjiang Uygur Autonomous Region.

WFP assistance is mainly utilized for comprehensive agricultural development projects and its aid emphasis in recent years has been further shifted to areas inhabited by minority nationalities and remote mountain areas in north-western and south-western China.

With 43 projects already completed and 12 others still under way, the WFP-assisted schemes have played a positive role in improving production conditions and the ecological environment and in increasing farmers' incomes.

### Editorial Discusses Increasing Peasant Income

HK2403150994 Beijing NONGMIN RIBAO in Chinese  
19 Mar 94 p 1

[Editorial: "Try By Every Means To Increase Peasants' Incomes"]

[Text] In his government work report delivered at the Second Session of the Eighth National People's Congress [NPC], Premier Li Peng emphasized that the interests of the peasants and rural economic growth should never be neglected. The supply of farm produce is directly related to stable prices and an improvement in the people's livelihood, and an increase in the peasants' income, is directly related to market development. It is the crux of rural work at present and in the future and an important and pressing task for the vast numbers of peasants and rural cadres to increase the peasants' income.

The successes attained in China's agriculture since reform are obvious to all. However, the problems exposed in development are also worrisome. Of all the problems, the most serious ones are the declining efficiency in agriculture and the slow growth in the peasants' income. The peasants' income increased rapidly at an annual rate of 13.9 percent from 1978 to 1984. The enthusiasm of the peasants for farming ran unprecedentedly high and the output of farm produce increased by a wide margin during that period. Take grain output for example: The figure rose from 300 billion kg in 1978 to 400 billion kg in 1984, an increase of 100 billion kg in six years. Before rural reform, it took 20 years to get an additional 100 billion kg of grain. After 1985, however, the peasants' income did not increase despite the increase in output, or the output increased remarkably but their income increased slightly. In the eight years from 1985 to 1993, the peasants' incomes increased by an annual rate of only 2 percent. Income fell behind production growth. As a result, the annual growth target of 5.4 percent required for attaining the comparatively well-off goal was out of reach.

The main reason for the problem is the irrational price relationship between farm and manufactured goods and the low economic efficiency of agriculture. On the one hand, the price of farm produce, driven by overall price hikes, rose. But the extent was still lower than the increase in the price of means of production. In other words, the price of products was lower than the price of materials and cost, resulting in high input but low efficiency. On the other hand, the increase in the price of farm produce was far lower than that in manufactured goods which used

farm produce as materials. As agricultural production could not share the average social profits, agriculture, which is a basic industry, was thrown into an unfavorable position. As a consequence, income from agriculture, which constituted 70 to 80 percent of the source of peasants' average per capita income, rose at a slow pace, and even dropped in some regions.

The problems caused by the drop in peasants' income were serious: First, the market for rural consumer goods remained weak, growth dropped, and consumer goods bought by rural inhabitants, who accounted for over 80 percent of the country's total population, accounted for 40 percent of total retail sales. Second, the input in agriculture decreased. In some economically developed regions, the tendency of neglecting agriculture was more obvious, the amount of cultivated land and sown area of grain decreased while large amount of agricultural funds flowed nonagricultural fields. Third, because of the irrational prices, the peasants are not enthusiastic to sell farm produce to the state. Some are waiting for better prices. As a result, the amount of major farm produce including grain, cotton, and edible oil possessed by the state decreased, which affected its capacity for macroeconomic regulation and control. Fourth, the low income of the peasants added difficulties to the development of rural social welfare undertakings. As the income of most of the peasants is not high and the growth in their income has decreased instead of increasing, it will be impossible to transform the outlook of the rural areas.

Comrade Deng Xiaoping emphatically pointed out on numerous occasions: "Without rural stability, there will be no stability in the overall political situation. If the peasants have not extricated themselves from poverty, it means that our country has not extricated itself from poverty." "Without the enthusiasm of the peasants, it will be difficult for the state to develop." Hence, we should look at the peasants' incomes from the high plane of social stability, political stability, and coordinated development of the national economy as a whole. In light of the requirements of the Third Plenary Session of the 14th CPC Central Committee, the Central Rural Work Conference, and the National Agricultural Work Conference, it is necessary to stabilize the party's basic policies in the rural areas, further deepen rural reform, appropriately settle the outstanding

problems arising from rural economic development, and try by every means to increase the peasants' income.

To increase the peasants' income, it is necessary to first focus attention on developing production. While ensuring the sown area of grain, cotton, and edible oil, we should vigorously readjust agricultural production and product mix, develop quality, high-yield, and efficient agriculture. Of the growth in peasants' income last year, over 30 percent derived from township enterprises. This is an important source for increasing the peasants' income, which should be firmly grasped. Second, it is necessary to gradually readjust the purchase price of farm produce and reduce the price scissors between industrial and farm products. To stabilize consumption by the inhabitants, it is necessary to establish a risk fund and adopt other measures to curb price hikes and prevent a price spiral. Third, to increase input in agriculture, the state should readjust the investment in capital construction, budgetary funds, and credit, increase the proportion of investment in agriculture, and support agricultural development. Fourth, the circulation for farm produce should be unclogged and the rural market should be invigorated. The peasants should be organized to enter the market, develop production-supply-marketing and trade-industry-agriculture integrated organizations, and reduce the loss in profits from the intermediate links. Fifth, to increase the peasants' incomes, further efforts should be made to alleviate the peasants' burden. In places where the peasants' burden is lightened and the unreasonable charges are removed, these practices should not be allowed to reoccur under any excuse. At the same time, it is necessary to implement the "help-the-poor scheme" and do well the work of helping the poor.

The question of agriculture, rural areas, and peasants has always been a fundamental one in China's revolution and construction. It is an economic, as well as a political task, to try by every means to increase the peasants' incomes. From the strategic high plane of rural and social stability and promoting the rural economy and sustained, rapid, and healthy growth of the national economy, we should seriously do the work well so that the peasants' incomes will increase along with economic growth and the 900 million peasants will be able to attain the comparatively well-off goal at an early date.



### East Region

#### Xiamen To Benefit From Legislative Powers

HK2403015094 Beijing ZHONGGUO XINWEN SHE  
in English 1022 GMT 23 Mar 94

[Text] Xiamen, March 23 (CNS)—The powers of legislation authorized by the second session of the Eighth National People's Congress (NPC) to the Xiamen People's Congress and its Standing Committee as well as to the Xiamen municipal government for enactment of laws and regulations will be beneficial for the speeding up of utilization of foreign and Taiwan capital in the special economic zone, the Director of the Xiamen Foreign Investment Commission Mr Huang Qingquan said today.

Xiamen has, since reform and opening to the outside world began 14 years ago, approved 2,400 foreign-funded items with a total value of US\$7 billion. Some 1,000 of the items were invested by Taiwan businessmen involving US\$2 billion while the industrial output value of three-type foreign-funded enterprises made up 61.2 percent of the total in the municipality.

With the scale of foreign capital introduced into Xiamen growing rapidly, matters related to laws and regulations emerging from economic activities, especially the investment process, are tending to increase. The current laws and regulations can no longer meet the needs of the administration of foreign investment. Laws and regulations on bankruptcy, settlement, notes, banking and mortgages have not yet come into effect, resulting in an adverse impact on the administration of enterprises and imposing direct obstacles to foreign investment.

Mr Huang pointed out that with economic exchange and trade between Xiamen and Taiwan growing continuously, Taiwan businessmen hope for the availability of a corresponding legal environment to meet their business development. With regard to laws and regulations involving Taiwan, much time is needed to make legislation possible in the national legislature. The setting-up of Taiwan-funded enterprises, settlement of disputes and administration of these enterprises have long been had no specific laws and regulations to govern them, causing many difficulties to Taiwan-funded enterprises.

Mr Huang believes that the authorization of legislation given to Xiamen by the current NPC session will enable the municipality to work out proper corresponding laws and regulations of its own to meet the needs based on observation of the Constitution and other relevant laws and regulations. Backwardness in legislation seen in Xiamen can be improved gradually and the municipality can move forward in promoting the use of foreign and Taiwan capital.

#### Experts Say Southern Jiangsu Leads in Rural Modernization

OW2503043494 Beijing XINHUA in English 0341  
GMT 25 Mar 94

[Text] Nanjing, March 25 (XINHUA)—Agro-scientists agree that coastal Jiangsu Province is taking the lead in China's rural modernization.

The scientists, from the Jiangsu Academy of Agricultural Sciences, came to this conclusion based on a survey of southern Jiangsu's Suzhou, Wuxi and Changzhou.

According to associate research fellow Huang Wenxin, who was in charge of the research project, southern Jiangsu covers an area of 17,500 sq km and has a population of 13 million.

Its gross domestic product last year jumped by at least tenfold over 1979, when China began its rural reform, and its economic development speed ranks first among the country's rural areas.

According to the latest statistics, the proportion of industry in this area rose to 90 percent last year and that of the non-rural labor force to 80 percent.

The annual farmers' income last year averaged more than 2,000 yuan per capita, and the standard of farm machinery and irrigation in more than one half of the counties and cities had already caught up with that of the economically-developed countries.

At present, southern Jiangsu is promoting its rural modernization by setting up more industrial and commercial zones, rural residential quarters and farmland-protection areas.

#### Shandong Reports Villages Enjoy Access to Power Supply

SK2403134094 Jinan Shandong People's Radio  
Network in Mandarin 2300 GMT 23 Mar 94

[Text] Learned by this reporter on 23 March from the provincial meeting on management of power departments, the province's last 400 administrative villages beyond the reach of power supply will all be supplied with power by the end of this year. Then, 91 percent of peasant households in the province will be accessible by power supply, 88 percent of peasant households will be furnished with lighting installation, and power price in rural areas will become reasonable.

In 1993, power departments in the province increased the dynamics of the work of supporting poor areas. As a result, some 680 villages in the province were newly furnished with power supply installations. Zibo, Binzhou, and Jining attained the target of making all their villages accessible by power supply. Dezhou power supply bureau also completed in advance the work of supplying power to 56 villages by 20 March, thus fulfilling the task of making all villages accessible by power supply. Last year, three 110-kilovolt transformer substations and 12 35-kilovolt transformer substations were newly built in the 15 poverty-stricken counties in the province, and, as a result, 12 poverty-stricken counties fulfilled the task of making all their villages accessible by power supply.

Vice Governor Chen Jianguo said at the meeting: The development of power industry is very uneven in rural areas. The framework of the rural power supply network in western province remains weak, and the per capita share of power there remains very low. This has become the major

factor hampering the rural economic development in western areas. Accelerating the development of power industry in rural areas is a fundamental guarantee for invigorating the rural economy of the province. For this reason, governments at all levels must attach high importance on power industry. Meanwhile, by firmly embracing the service purpose of orienting the people's power industry to people's needs, rural power management departments at all levels should regard it as their own duty to ensure the lighting service of rural areas and to help rural areas shake off poverty and become rich, and should strengthen management to not only ensure power supply to peasants but also make the numerous peasants use power in correct way. Rural power management departments at all levels should continue to manage well power price and resolutely lower the price in rural areas to a reasonable level so that they can support agricultural production and reduce peasants' burden.

#### **U.S. Computer Companies Boost Shanghai Computer Sector**

*OW2403135494 Beijing XINHUA in English 1336 GMT 24 Mar 94*

[Text] Shanghai, March 24 (XINHUA)—Three U.S. computer producers have this month made major moves in Shanghai, causing a stir in local economic circles.

On March 7, the Hewlett-Packard Company simultaneously launched six state-of-the-art computers in the United States and Shanghai. On March 17, the China Hewlett-Packard Co. Ltd signed contracts with three well-performing South-east Asian international computer companies, authorizing them to be special retailers in China.

On March 10, the Digital Equipment Company, the largest computer network producer in the world, signed a long-term cooperative memorandum with the Shanghai-based Pudong Software Park.

On March 18, International Business Machines (IBM) announced it was going to donate 5.5 million U.S. dollars worth of computer equipment to the Shanghai University of Science and Technology and to help it set up a teaching center of computer auxiliary software engineering.

Late last year, Shanghai declared computers to be one of its pillar industries.

Overseas computer producers quickly reacted to this declaration. Nearly one-third of the world's 100 largest computer producers have discussed cooperation with Shanghai.

Domestic enterprises are also competing for the market.

Changjiang Computer Group, of Shanghai, is planning to popularize its computers in such fields as securities, finance, posts and telecommunications and commerce. Major Chinese computer companies like Legend and Giant are also accelerating their pace to step into Shanghai.

Recently, the Shanghai Computer Square, sponsored by the China Corporation of Science and Technology Books

and joined by Shanghai Computer Bookstore and Giant and Legend companies, opened here.

It sells books, provides information and develops software and hardware and is open to the whole country.

#### **Six Trends in Shanghai's Foreign Investment Viewed**

*HK2503054294 Beijing ZHONGGUO XINWEN SHE in English 1224 GMT 24 Mar 94*

[Text] Shanghai, March 24 (CNS)—Shanghai has opened to the outside world in a broad way in recent years and has seen great investment in infrastructural construction resulting in a notable improvement of its investment environment, attracting many foreign businessmen to invest there.

First, well-known multinational corporations have come to Shanghai to invest in big items with 44 such corporations investing there last year alone. To date, 128 such corporations have invested in 206 items with contracted investment of U.S.\$2.5 billion. Of these, American, Japanese and European corporations make up over 90 percent of the total. Thirty-five of the world's 200 biggest industrial multinational companies have investments in Shanghai and items invested by another 15 are now under examination for approval.

Second, three type foreign-funded industrial enterprises are playing an important role in the renovation of old enterprises, the structural adjustment of industries and the development of new and high-tech industries. Foreign-funded items including large-scale integrated circuits, optical fibre materials, air compressors, digitally-controlled computers, mobile phone bases and terminals have become rising pillar industries in the city.

Third, tertiary industry has become a new keen sector invested by foreign businessmen with 1,037 items introduced in Shanghai last year with contracted foreign capital of U.S.\$4.44 billion, making up 28 percent and 68 percent of all foreign-funded items and total contracted foreign capital there respectively. Foreign business have also made fast progress in investment in real estate, the setting up of foreign-funded banks and in infrastructural construction.

Fourth, Pudong has become the key place for foreign investment with 50 complexes already under construction in the Lujiazui district.

Fifth, three type foreign-funded enterprises in the outer suburbs of Shanghai have also developed rapidly with good results.

Sixth, foreign-funded enterprises there are virtually all running well. Among the 7,000 three type foreign-funded enterprises approved in Shanghai, some two-thirds of them have started production with industrial enterprises among them reaching an output value increase of 80 percent last year, far more than the average in the municipality of 18.3 percent. Such enterprises have also achieved a favourable balance between their foreign currency



spending and earnings with total foreign currency earnings of U.S.\$4.254 billion and total spending of US\$3.988 billion.

### Central-South Region

#### State Councillor Views Guangdong's Grain Production

HK2503013794 *Guangzhou Guangdong People's Radio Network in Mandarin* 0400 GMT 16 Mar 94

[Text] Yesterday morning, State Councillor Chen Junsheng stressed in a full meeting of the Guangdong delegation that Guangdong must concentrate its efforts on the issue of grain to ensure the acreage producing grain, increase grain output, and raise the self-support level of grain to guarantee the settlement of the issue of feeding Guangdong's people.

Chen Junsheng pointed out: The key to stabilizing grain production and increasing the self-support level of grain lies in stabilizing the acreage under grain. He said: Now there are too many development zones, and they have occupied a lot of good farmland. If the situation remains unchanged, grain output will drop. This situation must be changed very rapidly.

#### Guangzhou's Per Capital GDP Topped 10,000 in 1993

HK2503013694 *Guangzhou Guangdong People's Radio Network in Mandarin* 1000 GMT 4 Mar 94

[Text] In 1993, Guangzhou city's per capita GDP topped 10,000 yuan for the first time, reaching 11,490 yuan. It has ranked first among 10 major cities in the country for two years running.

Last year was another year in which Guangzhou city took big strides in its economic construction, reform, and opening up. The majority of its main economic indexes registered double-digit increases. Last year, the GDP of the whole province reached 71.1 billion yuan, up 23 percent over 1992. Over the past three years, its per capital GDP also maintained a double-digit increase, and its annual average growth rate was 20.89 percent, exceeding the former target of 11.8 percent annual average growth set to meet the demand of basically realizing modernizations in 15 years. Such a growth rate has been rare in the Asian region.

#### Guangzhou To Hold Real Estate Trade Fair

OW2403135194 *Beijing XINHUA in English* 1311 GMT 24 Mar 94

[Text] Guangzhou, March 24 (XINHUA)—A real estate trade fair will be held from April 15 to 19 here in the capital of south China's Guangdong Province.

An official of the Ministry of Construction announced the event at a press conference here yesterday. He said that the country's total investment in housing in its cities and

towns last year topped 150 billion yuan, about 50 percent of which was used for building commodity housing.

Houses that were built in the urban areas throughout the country added up to 200 million square meters, he said.

To attract more foreign investors and to further expand China's real estate market, about 60 mainstay real estate companies across the country will be selected to take part in the fair.

The fair will be sponsored jointly by the China Foreign Trade Center and a Real Estate Information Co. Ltd of the Ministry of Construction.

#### Central Limits on Stocks Not To Affect Guangdong

HK2203064294 *Guangzhou Guangdong People's Radio Network in Mandarin* 1000 GMT 17 Mar 94

[Text] At a seminar held in Guangzhou yesterday, Yi Zhengqiu, director of the Guangdong Provincial Commission for Restructuring Economy, told reporters that although the State Commission for Restructuring Economy stated recently that the issuance of 5.5 billion yuan worth of new stock would not take place in the first six months of the year, this would have little effect on Guangdong's issuance of new stocks. Yi Zhengqiu said that of the number of new stocks the state allowed to Guangdong last year, some 90 million yuan worth had not been issued. Recently, the provincial commission for restructuring economy has drawn up a list of enterprises, which already has been submitted to the State Commission for Restructuring Economy for its examination and approval. However, the number of enterprises and the list itself cannot be published as of today. Yi Zhengqiu said the selection of enterprises to be listed this year would continue to comply with the national industrial policy of focusing efforts on supporting key projects in energy resources and infrastructure. It is certain that the method of selling application forms for drawing lots in the marketing of new stocks will not be repeated. On the issue of Chinese stocks to be listed outside the border, Director Yi said that the Guangdong Foshan Earthenware Group has been included in the 22 firms to be listed outside the border, as decided by the central authorities; also included are the Guangzhou-Shenzhen Railway and the Southern Aviation Company, which are enterprises under ministerial jurisdiction. At present, those enterprises included on the list are conducting asset assessment.

#### Barges for Smuggling Impounded in Guangdong Coastal Town

HK2503013894 *Hong Kong ZHONGGUO TONGXUN SHE in Chinese* 0715 GMT 15 Mar 94

[Text] Guangzhou, 15 Mar (ZHONGGUO TONGXUN SHE)—On 3 March, personnel of the Jiazi Town Public Security Department in Lufeng County, Guangdong Province, impounded 10 barges manufactured in a local port, thus crushing some smugglers' attempt to carry out smuggling on barges.

Jiazi Town is located in the southeastern coast of Lufeng County, bordering on Hong Kong and Macao. During this year's Spring Festival, some smugglers, taking advantage of the festive occasion, covertly employed some workers from outside the province to manufacture barges in an attempt to "enliven" the already-halted smuggling activities. Upon receipt of crime reports by some people, the town antismuggling group immediately organized personnel, and on 27 February it impounded 10 barges being manufactured in the local port and arrested 18 law breakers involved in manufacturing the barges. Now this case is under further investigation.

### Shenzhen To Unionize 40 Percent of Foreign Enterprises

HK2503054094 Hong Kong SOUTH CHINA MORNING POST in English 25 Mar 94 p 13

[By Chan Wai-fong]

[Text] Forty per cent of foreign owned enterprises in Shenzhen will be unionised in a bid to calm industrial disputes. And the municipal Government will also set up a fund to protect workers against wage defaults.

Official figures show that in the past two years, there have been 1,100 labour disputes, strikes and go slows, in the Special Economic Zone. Ninety per cent of these happened in foreign-owned enterprises and non-government-subsvented factories.

In his report to the Chinese People's Political Consultative Conference of Shenzhen delivered yesterday, a senior official of the All-China Federation of Trade Unions (ACFTU) Huang Jinrong, told deputies that labour disputes not only would continue to exist, but would appear in new forms with the development of the market economy.

Mr Huang said that the ACFTU in Shenzhen has planned to increase the number of unions in foreign owned enterprises, of which more than 40 per cent should be unionised this year. The ACFTU also plans to set up a Shenzhen Wage Insurance Fund to protect workers from wage defaults. And, a certain proportion of the enterprises' total wages, about one or two months of workers' salary, would be collected to form this fund, he said.

According to surveys, Mr Huang said that low salaries, poor social securities, wage defaults, bad monitoring systems and the divorce of management and practice are the main reasons behind these conflicts. In May last year, 1,300 workers in a foreign-owned factory in She Kou went on strike.

Mr Huang said that it was discovered that workers were paid five to seven yuan (HK\$4.44 to HK\$6.22) a day, much lower than the already demeaning stipulated minimum salary of 11.2 yuan a day. Besides setting up more unions, Mr Huang said that education for labour legislation should also be strengthened. And in a bid to keep a closer control and take prompt action to crack down on

disputes, the ACFTU would help public securities departments to form internal security organisations in larger enterprises, he said.

### Shenzhen Cracks Down on Counterfeit Goods

HK2503124794 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1227 GMT 16 Mar 94

[Text] Shenzhen, 16 Mar (ZHONGGUO TONGXUN SHE)—With the high-speed development of the economy in the special economic zone, fake and shoddy commodities have become a public scourge in Shenzhen.

It was the "International Day of the Rights and Interests of Consumers" yesterday. Shenzhen's Industrial and Commercial Bureau, Consumers' Committee, and some production enterprises took to the streets and shopping arcades to publicize protection for the rights and interests of consumers and ways to identify fake and shoddy commodities.

The Tianhong Shopping Plaza was crowded with people. Suddenly someone called out that "Chief Justice Bao [a strict and impartial official from the Song Dynasty called Bao Zheng] had come." People turned round and actually saw a dark-faced "Chief Justice Bao" escorted by "Zhang Long" and "Zhao Hu." It turned out that Shenzhen's New Century Drinking Water Science and Technology Company Limited had adopted an original approach and had invited some actors to play the parts of "Chief Justice Bao" and his subordinates to act for the people and to strictly enforce the law. The shoppers rushed headlong toward "Chief Justice Bao" and complained to him about fake and shoddy commodities.

According to the latest Shenzhen Consumer's Committee statistics, 60 percent of the complaints were about fake and shoddy commodities. Nearly all high-grade and brand-name commodities in Shenzhen, no matter whether they were imported or made in China, including watches, electrical appliances, garments, foodstuffs, wines, cigarettes, leather shoes, leather bags, and even "mouse detectors [shu biao qi 7857 2871 0892]," which most people are not quite familiar with, had counterfeit equivalents. "Chief Justice Bao" was invited to protect the interests of the consumers and the publicity effects were quite good. This shows the deep hatred of the consumers toward fake and shoddy commodities.

It is learned that Shenzhen City will inspect all imported foodstuffs with fixed packaging beginning 1 April and anti-counterfeit signs will be stuck on qualified commodities before they can be sold.

In Shenzhen, 97 activities have been conducted citywide to crack down on fake and shoddy commodities beginning late December last year. Over 5,650 shops and stalls have been inspected, 522 cases of producing and selling fake and shoddy commodities have been handled and the people involved punished, the operation of 326 shops and plants has been suspended for reorganization, 28 illegal plants



have been banned, and more than 23,000 counterfeit items, under 23 categories and amounting to over 530,000 yuan, have been seized.

#### **Liang Guangda Re-elected as Zhuhai Mayor**

HK2203075994 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1206 GMT 7 Mar 94

[By reporter Mao Wei (0379 7289): "Liang Guangda Is Re-elected as Zhuhai Mayor"]

[Text] Zhuhai, 7 Mar (ZHONGGUO XINWEN SHE)—At the first session of the Fourth Zhuhai City People's Congress, which concluded today, Liang Guangda was re-elected as the city's mayor. So far, he has remained in this post for 10 consecutive years.

Liang Guangda, 59, was appointed as Zhuhai mayor in 1984, transferring from the Foshan Prefectural Administrative Office. Prior to that, he had worked with the Nanhai Sub-branch of the People's Bank of China as section head, unit chief, and deputy manager. He later became deputy secretary, and then secretary of the Nanhai County CPC Committee, member of the Standing Committee of the Foshan Prefectural CPC Committee, deputy magistrate of the Foshan Prefectural Administrative Office, and director of the prefectural finance office. Between 1982 and 1983, he studied at the CPC's Central Party School, and then was transferred to Zhuhai. In 1986, he was appointed to the concurrent post of secretary of the Zhuhai City CPC Committee, and holds that office now.

#### **Guangxi Leaders Hold Beijing News Conference**

HK2503124694 Nanning Guangxi People's Radio  
Network in Mandarin 1130 GMT 20 Mar 94

[Text] On the morning of 19 March, the Guangxi delegation to the Second Session of the Eighth National People's Congress (NPC) held a news briefing in the news center for the two sessions in Beijing's International Hotel. Cheng Kejie, NPC deputy and regional chairman, Lei Yu, vice regional chairman, (Hong Huzhou), director of the regional Planning Commission, and (Shuai Liguang), mayor of Beihai City, answered questions from Chinese and foreign reporters.

[China Huayi Broadcast Company reporter] Guangxi provides the most direct passageway to Southeast Asia. In 1992, the central authorities stressed that it was necessary to give full play to Guangxi's role as a sea passageway in the southwestern region. Over the past few years, with this objective in mind, Guangxi has strengthened infrastructure construction projects and basic industrial projects. Could you tell me the progress of these projects?

[Cheng Kejie] In 1992, the central authorities decided to build Guangxi into a sea passageway in the vast southwestern region. Over the past two years, with the help of the central authorities, we have done a lot of work. First, we have grasped infrastructure projects well, including transportation, energy, telecommunications, and so on. We have built or expanded five airports. The Guilin Airport project started last year and is expected to be

completed in October 1995. We are currently building Liuzhou and Wuzhou Airports and these two projects will be completed this year. In addition, we have expanded Beihai and Nanning Airports. We are currently building five railroads: The Nanning-Kunming Railroad, Yulin-Wuzhou railway, Lihang-Zhangjiang Railroad, Qinzhou-Qinzhou Port Railway, and the Qinzhou-Beihai Railroad. The Nanning-Kunming Railroad is expected to be completed in 1997. In addition to this, we are building two super expressways: The Liuzhou-Guilin totally enclosed four-lane expressway and the Nanning-Qinzhou-Huangcheng-Beihai six-lane expressway. Power supply in Guangxi has been insufficient but efforts are being made to speed up hydropower and thermal power plant projects.

[China Central Television reporter] Over the past two years, Guangxi has imported foreign capital and run foreign-funded enterprises. The number of such enterprises has increased. Where did the money come from? What are the prospects for the future?

[Lei Yu] With regard to efforts to promote exports to earn more foreign exchange, in 1992, Guangxi's total export volume reached \$1.108 billion, an increase of 33 percent over 1991. In 1993, total export volume increased to \$1.325 billion, up 19.6 percent. As far as using foreign capital is concerned, at the end of 1991 there were 559 foreign-funded enterprises in Guangxi and a total of \$63 million in foreign capital was actually used. At the end of 1992, there were 1,870 foreign-funded enterprises in Guangxi and \$246 million worth of capital was actually used, an increase of 272 percent. At the end of 1993, there were 4,368 foreign-funded enterprises and \$1 billion worth of foreign capital was used in that year, an increase of 305 percent. The use of foreign capital has been characterized by great increases in recent years. In addition, there are four other characteristics: First, investment fields have been expanded; second, investment areas have been widened; third, the number of investor countries and regions has increased; and fourth, there are more big financial groups and large projects.

[VNA reporter] Since the normalization of Sino-Vietnamese relations, how have relations between Guangxi and Vietnam been? What reasons does Guangxi have to conduct further consultations with Vietnam? [Cheng Kejie] Since the normalization of Sino-Vietnamese relations in 1991, the development of friendly economic contacts between the two countries has been healthy and this has benefited the peoples of the two countries. We can have better cooperation with Vietnam in many fields, such as trade and negotiations on economic projects. Both sides can promote their cooperation on the basis of mutual benefits and concessions.

[Lei Yu] With the normalization of Sino-Vietnamese relations, economic cooperation has developed considerably. I believed that, encouraged by the two governments, economic cooperation between Guangxi and Vietnam will be strengthened.

[XINHUA reporter] Not long ago, many experts predicted that from the end of this century to early next century,

international cities will rise in the area of the Gulf of Tonkin. It was reported that Beihai City has made some plans and studies in this regard. I would like Mayor Suai to tell us something about this.

[Suai Ligu] Beihai is a sea passageway in the vast southwestern region. The city has eight strong points with regard to its natural resources, in particular, tourism and ports. Beihai City has invested a large sum of money in infrastructure and energy projects. We have built Tieshangang Highway and more than 10 city highways. We have also constructed an airport. We are creating the best investment environment to attract investors to come to Beihai to join local construction or make investments. We are making efforts to build Beihai into an influential and new city.

Cheng Kejie, Lei Yu, Shuai Ligu, and Hong Huzhou also answered the following questions raised by reporters: How would Guangxi strengthen its economic cooperation with the United States? How would Guangxi deal blows at activities of illegally selling guns? How would Guangxi support the impoverished? How would Guangxi develop its electronics and automobile industry? What are Lee Kuan Yew's investment intentions in Guangxi?

#### **Guangxi Leaders Comment on Smuggling, Poverty, Economy**

*HK2503140594 Hong Kong WEN WEI PO in Chinese  
20 Mar 94 p A3*

["Dispatch" by WEN WEI PO reporters group in Beijing: "Guangxi Government Chairman and Vice Chairman Reveal That Guangxi Employed an Additional 700 Policemen To Fight Smuggling Last Year and Seized 300 Guns and Some Drugs"]

[Text] Deputies to the National People's Congress, Cheng Kejie, chairman of the Guangxi Zhuang Autonomous Region Government, and Vice Chairman Lei Yu revealed here today: Last year, the Guangxi Government employed an additional 700 policemen especially to cope with gun-runners and drug traffickers, seizing more than 900 kg of drugs and some 300 guns and arresting about 300 drug traffickers. This year, the Guangxi Government will continue to crack down severely on drug smuggling and trafficking in close cooperation with the Hong Kong police. When talking about the illegal entry into Hong Kong by Vietnamese refugees, Lei Yu said: Based on statements of investigations, at the news conference it held in Hong Kong, the UN Office of the High Commissioner for Refugees clarified that, of the refugees who had illegally sneaked into Hong Kong, no more than 100 came from Guangxi. At present, the repatriation of the refugees is underway.

According to Lei Yu, last year the scope of foreign investment expanded greatly. Hong Kong businessmen Li Shaok-kee and Cheng Yu-tong invested in Guangxi and Robert Kwok made large investments in Beihai City's Fangcheng Port. This year, Guangxi will build the infrastructure on a large scale and strive to become the "most convenient

thoroughfare" which "with the great southwest behind, serves the great southwest and faces Southeast Asia, Hong Kong, Macao, and Taiwan."

Guangxi leaders made these remarks at today's "News Conference on Guangxi's Reform, Opening up, and Economic Development." When answering a Hong Kong reporter's question, Lei Yu said: Guangxi shares a 1,025-km land frontier and 1,595-km coastline with its neighboring countries. Making use of this long frontier and coastline, many lawless elements carry out gunrunning and drug trafficking. The Guangxi Government has always adopted severe measures to deal with lawless elements. Last year, the government boosted the police force by 700 personnel to specially cope with gunrunners and drug traffickers and seized more than 10 kg of heroin, some 800 kg of opium, and about 300 guns (mostly smuggled in from outside the borders), and arrested over 300 smugglers (mostly members of gangs comprising several persons). The Guangxi leader went on to say: We have always maintained close coordination with the Hong Kong police. This has been the case in the past and it will remain unchanged in the days to come.

When briefing the news conference on Guangxi's economic construction and the bid to improve its investment environment, Cheng Kejie said: In the last two years, we have built or extended five airports. For example, Guilin and Beihai Airports are international and Liuzhou and Wuzhou Airports are expected to be available for operation this year. Moreover, five railway lines, two expressways, and hydropower and thermal power stations with a total generating capacity of 8.2 million kwh are under construction. All these projects will better serve Guangxi's and the great southwest's opening up and economic construction. According to statistics, last year, Guangxi put \$1 billion into practical use, had 4,360 foreign-invested enterprises, and earned \$1.325 billion in foreign currency by exporting goods, a big increase on the 1992 figure. The scope of foreign investment also expanded remarkably. There was a marked increase in the number of investing countries, regions, and big financial groups and firms. In June this year, Singapore's political celebrity Lee Kuan Yew will hold consultations with Guangxi on developing an industrial park in Beihai. Thailand's foreign exchange dealers are negotiating with Guangxi on 18 projects and applying to set up an office in Nanning. Malaysia and Guangxi will open Beihai to Southeast Asia sea routes.

On the issue of Guangxi shaking off poverty, Cheng Kejie said: Ten percent of China's poor households are in Guangxi. This being the case, Guangxi's task in shaking off poverty is very arduous. Apart from implementing the "87 Program [solving the problem of food and clothing for 80 million people in poverty-stricken areas within 7 years]" cited in Li Peng's Government Work Report, in carrying out the work of shaking off poverty, we have worked out a plan to remove 200,000 people from the most poverty-stricken areas within 8 years. We began to implement the program last year and moved 23,000 people to areas where cultivable land and fresh water were available and where there are schools and land available for road building. This



year we plan to move 25,000 people. The main difficulty facing the plan is the funds problem. It will take about 6,000 to 7,000 yuan to relocate an especially poor household. The other difficulty is the problem of how to achieve emotional unity between those who are moved out and those who are moved in. The State Council has clearly stated that it will give great support to Guangxi in terms of finance and credit.

#### Port City in Guangxi To Develop New Area

OW2503013194 Beijing XINHUA in English 0038  
GMT 25 Mar 94

[Text] Nanning, March 25 (XINHUA)—Fangcheng, the biggest port in southwest China's Guangxi Zhuang Autonomous Region, will invest one billion yuan to develop a new area, local officials said.

Construction of the six-sq-km Changshan new area has been started. The officials said they plan to complete land leveling, roads, water and power supply projects within one year.

According to the plan, the new area will be a complex of banking, office, shopping, entertainment and residential buildings.

Administering three urban districts and a suburban county, with a combined population of 700,000, the one-year-old city has been working hard to improve its infrastructures.

In the past year, the city invested 523 million yuan in fixed assets construction projects, including five mid-sized berths for its port, a 6.7-sq-km landfill project, a 49-km highway, and telecommunications networks.

In a few years, the city will have a new center on a piece of seaside wilderness stretching 30 sq km, the officials said.

#### Hunan Secretary Speaks at Meeting on Rural Social Order

HK2503112094 Changsha Hunan People's Radio  
Network in Mandarin 2300 GMT 22 Mar 94

[Text] Hunan Provincial CPC Secretary Wang Maolin addressed a provincial experience exchange meeting on management of rural social order, which ended yesterday. He pointed out: Thanks to the management work in the previous two stages, we have dealt blows at a large number of local ruffians and despots. Social order in our rural area has been considerably improved, the masses have a stronger sense of safety and a healthy atmosphere prevails while the unhealthy one has been checked. However, to ensure a long-term peaceful environment, we still face strenuous work in the future. Therefore, during the stage of consolidating and imposing restrictions, which starts in April, various specific measures for comprehensive management must be fully implemented in grass-roots units.

Wu Xiangdong, member of the provincial party committee standing committee and secretary of the political and judicial commission under the provincial party committee, made specific arrangements for the work in the

next stage. He urged the continued strengthening of leadership and establishing and improving various responsibility systems for the management of public order. He also urged directly linking the work of comprehensive management of social order with the assessment of work achievement, and with rewards and penalties, so that party and government leaders at all levels, and various political and judicial departments, will enhance their sense of political responsibility for protecting local safety.

At the meeting, Comrade Wu Xiangdong also stressed: To manage social order in rural areas well, it is necessary to strengthen the building of grass roots units and consolidate fundamental work at that level. Fourteen prefectures, autonomous prefectures, and counties passed on their experiences at the meeting, including Changsha, Yueyang, Shaoyang, Lingling, Xiangxi Autonomous Prefecture, Changde, and others.

### Southwest Region

#### Nation's Southwest To Become Hydroelectric Power Source

OW2103033594 Beijing XINHUA in English 0256  
GMT 21 Mar 94

[Text] Beijing, March 21 (XINHUA)—Mammoth projects are under construction in southwest China to convert its rich hydropower resources into electric power for its own use and for the energy-hungry east China.

As a result, southwest China is soon to become China's premier hydroelectric power base, according to deputies to the National People's Congress [NPC] now in session here who hail from southwest China's Sichuan, Yunnan and Guizhou Provinces and Guangxi Autonomous Region.

Sixty-five giant hydropower stations will form "electric corridors" along the region's main rivers of Jinshajiang, Yalongjiang, Daduhe, Lanchangjiang, Wujiang and Hongshuihe. Their power will be fed to a local grid, which in turn will transmit power to Guangdong in south China and to east China.

Southwest China has exploitable hydropower resources of 194 million kw, 57

of the national total.

According to Wang Zhaobang, an NPC deputy from Guangxi and a hydropower expert, 11 power stations have been completed or are under construction in southwest China, which will generate 51.9 billion kwh [kilowatt-hours] of electricity a year.

Another seven giant stations will be built in the area during the last five years of this century, he disclosed. Those stations will have a combined generating capacity of 20 million kw.

When all the 65 hydropower stations are completed, they will generate 631 billion kwh of electricity a year.

One newly-completed station in Guangxi has already started supplying power to Guangdong Province, according to He Rong, an NPC deputy from Guangxi.

"This marks the start of implementing a state plan to transmit power from southwest China to east China," he said.

Local electric power authorities have opened the door to overseas investment in hydropower development. The three provinces and one autonomous region have signed a dozen contracts with companies from the United States, Thailand and Hong Kong on the construction of hydropower stations and power grids. They have also received over one billion U.S. dollars in loans from the World Bank and the Asian Development Bank, according to the deputies.

### **Sichuan Conference on Science, Technology Opens**

HK2103061494 Chengdu Sichuan People's Radio Network in Mandarin 2300 GMT 6 Mar 94

[By reporters Wu Tao and Duan Xiaoming]

[Excerpt] The Sichuan Provincial Conference on Science and Technology opened ceremoniously in Chengdu at 0900. On the agenda of the current conference was implementing the spirit of the 14th Party Congress, the Third Plenary Session of the 14th Central Committee, and the National Conference on Science and Technology as well as the spirit of Sichuan's plan for science and technological restructuring approved by the State Science and Technology Commission, and making arrangements for the province's science and technological restructuring and development in the 1990's and work in this domain in 1994. Attending the opening ceremonies of the conference yesterday were leading members of the Sichuan Provincial Party Committee, People's Congress, Government and Chinese People's Political Consultative Conference including Xie Shijie, Nie Ronggui, Qin Yugin, Pu Haiqing, Yang Chonghui, Diao Jinxiang, Luo Liangyang, Xi Yifang, Song Dafan, Li Meng, and also Zhang Dengyi, Secretary-General of State Science and Technology Commission. Participating in the conference were responsible persons of related departments of various cities, prefectures, and provincial authorities, and delegates from institutes of tertiary education, research institutes, enterprises, and industrial units of national defense, in addition to responsible persons of seven democratic parties in the province. [passage omitted]

### **Tibet People's Congress Standing Committee Meeting Ends**

OW2503102694 Lhasa XIZANG RIBAO in Chinese 27 Feb 94 p 1

[Unattributed report: "Sixth Tibet People's Congress Standing Committee Ends Its Eighth Meeting"]

[Text] The Eighth Meeting of the Sixth Tibet People's Congress Standing Committee ended on 25 February after

successfully completing its agenda. Vice Chairman Puqung made an important speech at the closing meeting.

The meeting approved the "Provisions of the Tibetan Regional People's Congress Standing Committee on Strengthening the Inspection and Supervision of the Enforcement of Laws and Regulations" and the "Procedures on Implementing the Law of the PRC on Compulsory Education." The meeting heard a report by Senggen Lozong Gyaincain relaying the guidelines of the Fifth Meeting of the Eighth National People's Congress Standing Committee, examined a report on the handling of motions and views, criticisms, and suggestions made by people's deputies and transmitted to various departments by the presidium of the First Session of the Sixth Tibet People's Congress; examined and approved the main points of the regional people's congress standing committee's work in 1994, and heard a report on the work plans of the various specialized committees of the regional people's congress. The meeting also decided on the dates for holding the Second Session of the Sixth Tibetan Regional People's Congress and approved appointments and removals.

Vice Chairman Puqung spoke at the meeting. He said: The basic ideology for guiding the regional people's congress standing committee's work is: Using Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and the party's basic line as a guide, implement in an all-round way the guidelines of the 14th National Party Congress and the enlarged Fifth Plenary Session of the Fourth Tibetan Regional Party Committee; accelerate the building of a socialist market economy; maintain the sustained, rapid, and healthy development of the national economy; and safeguard political stability and promote all-round social progress. As for specific work in the future, Puqung asked members to 1) make the legislative process compatible with the reform process, taking into consideration the objective requirements of Tibet's reform, opening up, and modernization, as well as its practical conditions; 2) give prominence to what is important while taking care of matters in general; and 3) enact laws on the basis of the Constitution. Puqung stressed: We must cultivate new ideas compatible with a socialist market economy, take bold steps to explore and practice, earnestly carry out the responsibilities entrusted to us by the Constitution and other laws, resolve problems encountered in legislation with a reformist spirit, bring the legislative work in step with reform and opening up, and push forward Tibet's socialist democracy and legal construction to help win new victories in reform and construction.

### **Gyaincain Norbu Comments on Tibet's Economy**

OW2003084194 Lhasa Tibet Television Network in Mandarin 1200 GMT 18 Mar 94

[Report on an interview with Gyaincain Norbu, chairman of the Tibetan Regional People's Government, by unidentified correspondents in Beijing; date not given; from the "Regional News Hookup" program—recorded]



[Excerpts] [Video shows Gyaincain Norbu seated on a couch, talking to a female reporter holding a microphone] Gyaincain Norbu, chairman of the Tibetan Regional People's Government, was interviewed by correspondents of this station and the central television station in Beijing the other day. Chairman Gyaincain Norbu first gave a detailed account of the progress Tibet has made over the past year in industry, agriculture, animal husbandry, transportation, and communications as well as production and livelihood in the cities and countryside. [passage omitted]

Speaking of the excellent situation of reform and opening up in Tibet, Gyaincain Norbu said:

[Begin Norbu recording] The volume of import and export last year was \$100 million, \$80 million of which was import and \$20 million export. Tourism also registered marked growth over the previous year. The number of tourists from Hong Kong, Macao, Taiwan, and foreign countries was 23,000. All in all, progress was achieved in industry, animal husbandry, agriculture, tourism, and foreign trade. Fairly good progress was also achieved in various social undertakings, including public health, education, science and technology, sports, and television and radio services. [end Norbu recording]

Speaking of economic cooperation with coastal regions, Gyaincain Norbu stated:

[Begin Norbu recording] Tibet abounds in resources. Its transportation facilities are relatively backward, and it lacks skilled workers. [passage omitted] Last year, either on its own or as a joint venture, Tibet established more than 120 enterprises in fraternal provinces and municipalities, in the coastal regions in particular. [passage omitted] [end Norbu recording]

Looking forward to 1994, Gyaincain Norbu told the correspondents with confidence:

[Begin Norbu recording] This year will be a crucial one for the deepening of reform in Tibet. Following the two current sessions [as heard], Tibet has announced measures for reform in nine sectors: reform of agriculture and animal husbandry, the investment structure, revenues and taxes, the housing system, and so forth. These measures have been announced after repeated deliberation and taking into consideration the views of various sectors. This year, we will be combining package reform with breakthroughs in key areas. We must also take Tibet's realities into account. We should be bold, but the measures we adopt must be well-considered. Under such a guideline, we set an annual GNP target of 4,002,000,000 yuan, an increase of 8 percent over last year. I believe this target can be reached through the concerted efforts of people of all nationalities in the region. [passage omitted] [end Norbu recording]

#### **Tibet Devotes 'Great Efforts' to Protecting Wildlife**

OW2403134694 Beijing XINHUA in English 1323  
GMT 24 Mar 94

[Text] Lhasa, March 24 (XINHUA)—The Tibet Autonomous Region has devoted great efforts to protecting the wildlife in recent years.

To protect wild animals in Tibet, known as "the roof of the world", the regional government set up the Tibet Regional Association for Wildlife Protection in 1991 and issued "Tibet Autonomous Region's Regulations for Implementation of The Wildlife Protection Law of the People's Republic of China" in 1992.

An official of the association said that Tibet is one of the regions rich in wildlife resources. There are more than 5,700 plant species, 2,300 species of insects, 64 kinds of fish, 488 kinds of birds and 142 species of mammals native to the region.

Tibet is also the habitat for 125 kinds of rare wild animals on the state's list for protection.

In recent years, Tibet has set up 13 nature reserves for protecting 10,000 wild yaks, more than 50,000 wild donkeys, about 50,000 Tibetan antelopes, 650 golden monkeys, 1,500 black-necked cranes and 3,000 takins, a type of wild cow found in Tibet.

Liu Wulin, deputy general secretary of the Tibet Regional Association for Wildlife Protection, says the effort shows that most Tibetans realize the importance of protecting wildlife.

He said that with the joint efforts of the government and the people, the total rare animal resources have increased by 30 percent.

#### **Lhasa To Undertake 11 Civil Construction Projects**

OW2103144294 Beijing XINHUA in English 1417  
GMT 21 Mar 94

[Text] Lhasa, March 21 (XINHUA)—Lhasa city, capital of the Tibet Autonomous Region, will soon start 11 civil construction projects so as to improve its investment environment.

Losang Toinzhub, vice chairman of the Tibet Autonomous Region and mayor of Lhasa, said that his government will promote a number of civil construction projects each year for the benefit of the people and domestic and foreign investors.

The Lhasa City Planning Commission has set up a "preparation program for civil construction" which contains about 50 projects. Every year, the government will allocate special funds for urgent projects selected from the program according to people's suggestions.

The projects for 1994 include transformation of 30,000 square meters of living space in old residential buildings, construction of two streets in Lhasa, planting green areas from Qushui Bridge to the city proper, water supply projects to six residential districts, drinking water purification projects for farming and livestock areas, construction of Lhasa's TV station and TV frequency modulation stations in nearby counties, and construction of Potala Palace Square.

### Yunnan Makes Progress in Supporting Impoverished Residents

HK2403135694 Kunming Yunnan People's Radio Network in Mandarin 1000 GMT 16 Mar 94

[Text] Yunnan, one of the provinces with the highest concentrations of minority nationalities, has firmly grasped economic construction and adhered to implementing the principle and policy for nationality work and the system of nationality regions, thus promoting the consolidation of the frontier, nationality solidarity, social stability, and economic prosperity. The masses of 25 nationalities live and work in peace and contentment.

In 1993, the Yunnan Provincial CPC Committee made the decision to develop productive forces by leaps and bounds in nationality, border, and mountainous areas. The new body of the provincial government also regarded economic development in support of impoverished areas as the immediate goal, focusing on tackling bottleneck issues in the most impoverished, remote, and backward areas. The Deyan Zang Autonomous Prefecture was slow in economic development. Related departments of the provincial government allowed it a flexible policy to increase input into its infrastructure building, focusing on helping the prefecture decide and implement the program of doing away with poverty by the year 2000 and the development of township and town enterprises.

In 1993, Yunnan allotted some 62 million yuan to support the development of some 300 projects in nationality areas. The provincial government has already planned to invest some 10 billion yuan in nationality areas in the 1990's to build a number of backbone projects in transportation, energy resources, and mineral production. Presently, construction of a number of large and medium-sized projects including the Deyan Paper Box Factory, Nawan Power Station, Zhongdian's Jinshajiang irrigation project, Dahanuoshan Power Station, and Gaotong Airport are underway or completed. Work in supporting the impoverished in nationality areas has spread from being conducted in separate units to extensive development and regional efforts. The smooth implementation of economic construction has promoted the social stability of border nationality areas.

### Yunnan Establishes AIDS Monitoring Network

HK2403150694 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0539 GMT 14 Mar 94

[Text] Hong Kong, 14 March (ZHONGGUO TONGXUN SHE)—This reporter has learned from the Yunnan Provincial AIDS [acquired immunodeficiency syndrome] Prevention and Control Office that, over the past four years or so, the province has spent over 7.6 million yuan in the prevention and cure of AIDS, and that the amount exceeds 10 million yuan if state appropriations and international aid are added. In the meantime, a strict monitoring and examination network system has been set up.

Yang Qi, who is in charge of the Yunnan Provincial AIDS Prevention and Control Office, said: In the past few years, Yunnan has done a great deal of work in organizing and

managing the prevention and control of AIDS, monitoring epidemic diseases, making laws and regulations, giving publicity to and carrying out education, and in training, researching, and gaining international cooperation. A monitoring and examination network, which is composed of one monitoring and examination center, 10 preliminary screening laboratories, and 34 monitoring points, plays an exceedingly important role in the prevention and control of AIDS.

Yang Qi said that the monitoring of 147,330 highly susceptible people in Yunnan shows that HIV-infected persons are still mainly concentrated in the western border area of Yunnan. As of the end of 1993, there were 977 HIV-infected persons, of whom 102 were foreigners. Of these 977 persons, 17 were diagnosed as AIDS sufferers, and nine have already died.

Yang Qi said: Yunnan keeps files on every HIV-infected person and every AIDS patient. Moreover, it follows up on them with medical treatment and continuously strengthens education for their families and highly susceptible people. Furthermore, in addition to the AIDS Prevention and Control Day held once each year, Yunnan has printed some 100,000 tracts about AIDS in the Dai and Jingpo languages and installed three telephones for inquiries. All this plays an effective role in preventing the spread of AIDS.

### North Region

#### City Committee Meets on PRC Law on Deputies

SK2303131694 Beijing BEIJING RIBAO in Chinese 7 Mar 94 pp 1,3

[By reporter Wu Yilin (0124 5030 2651): "Support the Work of Deputies and Welcome Their Supervision"]

[Text] Not long ago, the municipal party committee held a study and report meeting. Liu Zheng, deputy secretary general of the National People's Congress (NPC) Standing Committee, was invited to deliver a report on the study of the "PRC law on the people's deputies to the NPC and the local people's congresses at all levels."

Chen Xitong, Li Qiyun, and Wang Daming attended the report meeting. Chen Guangwen, deputy secretary of the municipal party committee, presided over the report meeting.

In his report, Comrade Liu Zheng vividly expounded the nature, substance, and meaning of the "Law on Deputies" in line with China's fundamental political system—the people's congress system. He pointed out: The "Law on Deputies" is one of the laws related to the people's congress system. This law has further defined the legal status of deputies and specifically stipulated the work of deputies during the people's congress session, their activities after the conclusion of the session, and the guarantee for deputies to exercise their duties. The promulgation of the "Law on Deputies" has provided a legal basis for deputies to exercise their functions, authority, and obligation, and to give play to their role. It is also conducive to



further improving China's people's congress system, promoting socialist democracy and the legal system, and guaranteeing the smooth progress of reform, opening up, and modernization.

Addressing the report meeting, Comrade Chen Xitong pointed out: In order to promote the study of leading cadres at all levels, the municipal party committee has held several study and report meetings. To strengthen study, the most fundamental thing for the leading comrades to do is to study well Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics and Volume No. 3 of "The Selected Works of Deng Xiaoping" and to conscientiously study the "decision" of the third plenary session of the 14th CPC Central Committee and a series of supporting laws, regulations, and methods related to the "decision." Only by conscientiously studying the law can we implement it and accelerate the establishment of the socialist market economic structure.

Comrade Chen Xitong also pointed out: All county and district end-of-term elections have ended recently. Leading cadres at all levels should pay attention to studying and implementing the "Law on Deputies," and the relevant substance of the People's Congress system.

We must clarify that if party committees and governments at all levels want to do their work well, they must respect deputies, support their work, and give play to their role. The people's deputies represent the interests and will of the masses of people. Practice has proved that if greater attention and support are paid to deputies, they can carry out their work more smoothly and do more things in conformity with the will of the people. We should welcome supervision from deputies and regard their supervision as their help to the work of the party committees and governments at all levels. This will help us to do a better job in serving the people and realizing the objective of becoming well-off three years ahead of schedule.

Leading comrades of the municipal party committee, the municipal people's congress standing committee, the municipal government, the municipal committee of the Chinese People's Political Consultative Conference, and the municipal discipline inspection commission, principal responsible comrades of departments, committees and offices of the municipal government and of various districts, counties, and bureaus, and principal responsible comrades of the municipal Trade Union Council, the Communist Youth League, and the Women's Federation also attended the meeting.

#### **Sun Wensheng Elected Shanxi Governor**

*HK2303130394 Taiyuan SHANXI RIBAO in Chinese 4 Mar 94 p 1*

[Report: "Announcement by the Second Session of the Eighth Shanxi Provincial People's Congress on the Election of a New Shanxi Governor"]

[Text] This is to announce that Sun Wensheng [1327 2429 4141] has been elected Shanxi Governor through a by-election at the Second Session of the Eighth Shanxi Provincial People's Congress.

The Presidium of the Second Session of the Eighth Shanxi Provincial People's Congress

3 March 1994

#### **Overseas Investors Increase Funds in Tianjin**

*OW2303024994 Beijing XINHUA in English 0143 GMT 23 Mar 94*

[Text] Tianjin, March 23 (XINHUA)—More than 140 overseas-funded enterprises have added new investment to their original capital in northern China's Tianjin city.

The latest statistics show that the newly-added investment has totaled 370 million U.S. dollars. Some 10 foreign-funded ventures have each poured more than 10 million U.S. dollars into their operations.

Experts pointed out that high economic returns on investments and bright investment prospects are the key factors in furthering the attraction of overseas investment.

The Tianjin economic and technological development zone has attracted the largest number of foreign investors in the city. So far, some 2,000 foreign-funded enterprises have been established in the zone and nearly half of them have started operating.

Figures show that 85 percent of the operational enterprises are showing profits and one-third of them have already recouped their investment.

#### **Billion-Dollar Project Planned in Tianjin**

*OW2203134794 Beijing XINHUA in English 1312 GMT 22 Mar 94*

[Text] Tianjin, March 22 (XINHUA)—North China's port city Tianjin plans to expand ten new high-tech industries in the coming five years. Each is intended to have an annual output value of at least 500 million yuan (about 57.5 million U.S. dollars).

Sources from the municipal government indicate that the construction of the new project, whose annual output value is eventually to total ten billion yuan, has already been started.

The move aims to step up the pace of building the city's high-tech industrial zones and to boost the new and high-tech product growth at a rate of 14.3 percent annually.

According to the project designers, in the initial stage of the project, priority will be given to development of major products such as batteries, educational game machines, special materials and new pesticides.

With these, the city will add about one billion to its total industrial output value yearly.

**Tianjin Public Servants To Get 60% Pay Raise**

HK2203091094 Hong Kong EASTERN EXPRESS in English 22 Mar 94 p 8

[Text] Tianjin looks set to provide the biggest bonanza in the current round of massive pay rises quietly being handed out to public servants around China.

Average pay will rise an unprecedented 60 percent in 1994 for the about 1 million workers in government offices and publicly-funded bodies in the city. Average annual pay would rise from 2,500 renminbi (about HK\$2,200) in 1993 to Rmb4,000 this year, sources in the municipal government said.

China's cabinet, the State Council, ordered all local governments to raise public sector pay in a January circular that has not been made public in order to avoid arousing resentment from workers in state enterprises and the private sector. Average public sector pay is expected to rise about 35 percent this year.

The Tianjin party secretary, Gao Dexian, told delegates at a recent municipal people's congress that public sector pay in the city, including so-called "grey income", would be raised to Beijing levels.

"We are so close to Beijing that if we don't pay better, the brain drain will worsen," Gao said.

Skilled administrators and professionals in the city's public sector have flocked to Beijing and Guangdong in recent years as income gaps widened.

An internal study done by the Tianjin government last month found that average public sector pay in Tianjin, including year-end bonuses as well as various other cash hand-outs, fell well below other cities.

Taking Tianjin as 1.0, the study rated public service pay in Beijing at 1.5, Shanghai 2.0 and Guangzhou 3.0.

More than half of the economics department at Nankai University had left for other parts of the country in the last two years, sources said.

To finance the increase in expenditure, the Tianjin city government is apparently planning to double the amount of land sold this year in the bonded zone near the port and economic development zone compared to 1993.

"Land prices here are low compared to elsewhere, so we'll have to sell a lot of land to finance this," Gao said.

In addition, Progressive pay rises would be made steeper, with top civil servants and professors able to earn Rmb700 a month compared with Rmb400-500 for the previous level.

**Tianjin To Speed Geothermal Power Development**

OW2203034094 Beijing XINHUA in English 0316 GMT 22 Mar 94

[Text] Beijing, March 22 (XINHUA)—The Municipal Government of Tianjin, a major port city in North China, has pledged to speed up the tapping of its rich geothermal power resources.

According to the "China Geology and Mineral Resources News", the city has designated 10 geothermal power resource zone, with a total area of 8,700 sq km, accounting for 80 percent of the city's total territory.

The professional paper noted that the quantity of heat available is equivalent to that generated by 18 billion tons of standard coal.

Wang Hengzhou, head of the Tianjin Municipal Geothermal Administration, said the water temperature of the geothermal power deposits is as high as 98 degrees centigrade.

Thermal energy is used widely in the fields of light industry, textiles, chemicals, paper-making, food processing, agriculture, aquatic production, medicine, heating facilities and tourism.



**MAC Chairman Huang Kun-hui on Upcoming SEF-ARATS Talks**

*OW2403061894 Taipei China Broadcasting Corporation News Network in Mandarin 2300 GMT 23 Mar 94*

[From the "Hookup" program]

[Text] The Straits Exchange Foundation [SEF] and the Association for Relations Across the Taiwan Strait [ARATS] will begin their fourth round of follow-up routine negotiations tomorrow [25 March], which will last six days. Hsu Hui-you, SEF deputy secretary and Taiwan's major negotiator, and his party left for Beijing today. The Mainland Affairs Council [MAC] under the Executive Yuan yesterday formally authorized SEF negotiators to hold negotiations with the ARATS on repatriation of hijackers, fishery disputes, and repatriation of stowaways. After agreements on the abovementioned three issues have been reached, the two sides may exchange views or hold practical talks on other topics prescribed in the agreement reached in the Ku-Wang talks, on protection of Taiwan investors in the Mainland, and on other relevant economic and science and technology issues. The following is a report by He Chien-min:

[Begin recording] Beginning tomorrow, the SEF and the ARATS will hold the fourth round of routine negotiations in Beijing. MAC Chairman Huang Kun-hui held a news conference and issued a carefully-worded oral statement today, saying that there is still a long way to go to sign an agreement based on the oral consensus achieved in the Chiao-Tang talks. It is clear from the way he talked that he is not optimistic about these negotiations.

[Huang Kun-hui] You know we have already put the oral agreement down in black and white at previous formal talks, however, they called it off at the last minute. That is what happened. We did not cancel it. The point is that we need to communicate with each other and understand each other's views by means of talking. After coming back, we continued to work on the agreement and ask departments concerned to do their best to help us. Because our government is a democratic one whose work is shared and coordinated by various government departments, many departments are involved in drawing up this agreement. This shows our sincerity in reaching an agreement with the ARATS.

[He Chien-min] Chairman Huang emphasized that the first thing we should take into consideration while turning oral consensuses into a written agreement is the feasibility of its implementation. It is reported that the MAC has made a thorough evaluation of the consensus on the abovementioned three issues. The MAC and relevant ministries and commissions have expressed some opinions that articles concerning fishery disputes are not applicable to disputes involving official boats, and articles concerning the repatriation of hijackers are not applicable to criminal offenders. These opinions will have an unpredictable influence on this round of negotiations.

This has been a report by China Broadcasting Network Corporation reporter He Chien-min from the Mainland Affairs Council. [end recording]

**Government Protests CITES' Action on Nation's Name Change**

*OW2503080894 Taipei CNA in English 0732 GMT 25 Mar 94*

[By M.J. Tzou and Sofia Wu]

[Text] Geneva, March 25 (CNA)—Taiwan has formally protested a Convention on International Trade in Endangered Species (CITES) decision to change its name in CITES reports on wildlife conservation.

The Taiwan delegation to a CITES Standing Committee meeting here issued a strongly-worded statement Thursday [24 March] saying Taiwan is not a province of the People's Republic of China and has never been ruled by Beijing.

The statement also expressed regret over Beijing's attempt to "politicize" wildlife conservation issues. "Such politically-motivated moves will do no good for wildlife conservation and we will never accept the name change," the statement said.

Under strong Beijing pressure, the United Nations wildlife conservation organization decided to refer to "Taiwan" as "Taiwan, China" in its reports on wildlife conservation on the island.

The statement, issued by Taiwan's Ministry of Foreign Affairs, said Beijing's attempt to downgrade Taiwan's status in the international arena would only worsen relations across the Taiwan Strait and cannot alter the fact that Taiwan is a separate political entity.

The English-language statement also said Taiwan will continue its efforts to eliminate illicit trade in endangered species and actively join in world wildlife conservation programs.

The statement has been distributed to foreign delegates to the CITES Standing Committee meeting, including committee Chairman Murray Hosking.

**Prime Minister Criticizes UN Conservation Organization**

*OW2503080994 Taipei CNA in English 0728 GMT 25 Mar 94*

[By Sofia Wu]

[Text] Taipei, March 25 (CNA)—Premier Lien Chan Friday [25 March] expressed regret over a preliminary decision by a United Nations wildlife conservation organization suggesting its members adopt stricter measures against Taiwan for failing to eliminate illegal trade in endangered species.

Commenting on reports from Geneva saying the UN's Convention on International Trade in Endangered Species (CITES) has accused Taiwan of failing to crack down on illicit wildlife trade in an expedient manner, Lien said the allegation was unfair.

"Taiwan has not fallen behind world wildlife conservation standards," Lien said. "We hope major world wildlife conservation organizations can recognize our efforts in this regard."

The CITES Secretariat Thursday unveiled a package of 14 suggestions on how to eliminate rhino horn and tiger bone trade in Taiwan, Hong Kong, South Korea, Mainland China and Vietnam.

The package generally gave positive, lenient assessments of wildlife conservation efforts in Hong Kong, South Korea, Mainland China and Vietnam, but took a harsher attitude toward Taiwan.

It said Taiwan has so far failed to update its conservation law, complete consolidation of rhino horn and tiger bone stockpiles and totally eliminate rhino horn trade. It thus recommended that "all CITES parties implement stricter domestic measures against Taiwan, including prohibition of trade in wildlife species."

The CITES Standing Committee, which is meeting in Geneva, will continue to discuss the package Friday afternoon and will decide whether to formally recommend trade sanctions on Taiwan over conservation issues.

Local trade officials said if CITES does call on its members to ban wildlife trade with Taiwan, the impact would be minimal.

Taiwan's wildlife product trade totals about US\$20 million annually, according to statistics compiled by the Board of Foreign Trade.

However, the board pointed out that if the United States decides to impose trade sanctions on Taiwan in line with the CITES recommendation, the effect would be much greater.

The US, Taiwan's largest export outlet, could first ban wildlife product trade with Taiwan and if Taiwan fails to improve crackdowns on illicit wildlife trade within six months, the US then could ban imports of other Taiwan products, the board said.

Meanwhile, Chairman Sun Ming-hsien of the Council of Agriculture said Taiwan has made enormous efforts in wildlife conservation in recent years. "We'll step up publicity to help the world understand our progress in this regard," Sun noted.

#### **Lien Chan Urges Government Efforts To Join GATT**

OW1203164694 Taipei CNA in English 1307 GMT 12 Mar 94

[By Flor Wang]

[Text] Taipei, March 12 (CNA)—In hopes of speeding Taiwan's entry into the General Agreement on Tariffs and Trade (GATT), Premier Lien Chan urged the government to increase and coordinate efforts and cooperation with all social sectors.

Lien made the remarks on Saturday [12 March] at a briefing by Vice Economic Minister Sheu Ke-sheng on

issues regarding Taiwan's GATT membership, such as how membership would affect the local economy.

Sheu said that if Taiwan fails in its bid to join GATT, it will not be able to establish fair and normal trade relations with other countries, which would badly hurt the competitiveness of local industries in the world market because Taiwan products would not be granted lower tariffs by GATT members.

Failing to become a GATT member would not only reduce the chances of Taiwan's becoming a member of other international organizations like the United Nations, World Bank and International Monetary Fund, but would also negatively affect Taiwan's bid to become an Asia-Pacific operations hub and to become a member in full standing of the international community.

Sheu cited a report by the Chung-hua Institute for Economic Research as saying that Taiwan's gross domestic product and export volume would increase by 2.13 percent and 34.7 percent, respectively, by 2002 after Taiwan joins GATT. Import volume should grow by 58.8 [figure indistinct] percent, and the trade surplus should decline about ntdrtp billion [figure indistinct] (US\$17 billion), the report said.

Stressing that GATT membership is of great importance to improving Taiwan's economy, Lien said that all relevant government agencies should join forces to facilitate Taiwan's entry into GATT.

Saying that the government is already taking measures to ease the impact GATT will have on local industries, Lien asked relevant government authorities to work harder to communicate with both the private and public sectors with the academic community and the legislature in order to prepare Taiwan for GATT entry.

Meanwhile, Hsiao Wan-chang, the chairman of the Council for Economic Planning and Development, called on all government agencies to increase the pace of reforms necessary to fall in line with GATT rules.

Dismissing rumors that Taiwan's bid to join GATT is politically motivated: Hsiao said the government has no choice but to become a member of GATT because GATT policies would have an influence on government policies whether Taiwan joins GATT or not.

#### **Chile, New Zealand Support GATT Bid**

OW2403080494 Taipei CNA in English 0708 GMT 24 Mar 94

[By M.J. Tzou and Debbie Kuo]

[Text] Geneva, March 23 (CNA)—Representatives from Chile and New Zealand Wednesday [23 March] expressed strong support for Taiwan's bid to join the General Agreement on Tariffs and Trade (GATT).

They also hoped that Taiwan's GATT entry would help boost bilateral trade ties, Huang Yen-chao, director-general of the Board of Foreign Trade (BOFT) told



reporters here. Huang is in Geneva for a series of bilateral tariff negotiations with GATT members.

Ernesto Tironi Barrios, Chile's chief negotiator, said he supported early GATT entry for Taiwan based on Taiwan's current economic and trade situation and its efforts to speed up tariff and taxation reforms.

Barrios, who asked Taiwan to cut import duties on 27 agricultural and 37 industrial products, reportedly was pleased as most of his requests met with favorable responses from the Taiwan delegates.

Chile is a major exporter of apples, pears, peaches and brass.

Chief New Zealand negotiator Alastair Bisley, who issued a list of 300 items for tariff reductions, also asked Taiwan to levy a single tax on imported beef and eliminate its current multi-tier system.

Both Barrios and Bisley expressed concern that Taiwan is still protecting its agricultural sector by imposing quantity controls and area restrictions on farm imports.

Although Taiwan has pledged to adhere to GATT's fair-trade practices and applied to join GATT as a developed country, Huang, leader of the Taiwan delegation, noted that some of Taiwan's industries are not fully developed and still require some protection.

"We hope that Taiwan's non-tariff trade barriers can be transferred into tariffication in seven years which complies with the free trade spirit of the Uruguay Round trade accord," Huang told his counterpart negotiators.

Besides Chile and New Zealand, Taiwan officials have negotiated with representatives from Hungary and South Africa since Monday.

Both Hungary and South Africa said Taiwan should eliminate non-tariff trade barriers like regional restrictions and quantity controls. They added that Taiwan's prohibition on the import of red beans, green beans and animal internal organs is not acceptable.

Taiwan negotiators will meet with officials from Turkey and Australia Thursday and Friday for more bilateral tariff talks.

According to Huang, 21 countries have requested tariff-reduction negotiations with Taiwan. Results of these talks will be key to Taiwan's accession to the Geneva-based world trade body.

Taiwan, which was admitted as a GATT observer under the name of "the Customs Territory of Taiwan, Penghu, Kinmen, and Matsu" in September 1992, is expected to become a full member by the end of this year.

#### **Restrictions on Importing Thai Labor Under Study**

*OW1603140094 Taipei CNA in English 1300 GMT 16 Mar 94*

[By Sofia Wu]

[Text] Taipei, March 16 (CNA)—The Council of Labor Affairs will reconsider its decision to suspend imports of Thai laborers now that Bangkok has given its assurances that it will try to prevent irregularities involved in their hiring, a labor administrator said Wednesday [16 March].

The council, after consulting with the Ministry of Foreign Affairs, decided earlier this month to suspend the hiring of Thai workers unless Bangkok took steps to prevent Thai placement agencies from exacting unreasonably high brokers' fees or illegally sending workers to Taiwan before the start of their contracts.

The Thailand Trade and Economics Office in Taipei, which represents Thai interests here in the absence of diplomatic relations between the two countries, sent a letter to the council Tuesday expressing the Thai Government's determination to resolve all related issues.

The Thai representative office said in the letter that the Thai Government has revoked business licenses for 40-plus manpower brokerage houses that have been charging unreasonably high fees for their services. The Thai Government has also agreed to sponsor various orientation programs to help its nationals intending to work in Taiwan understand Taiwan's labor laws and other regulations.

A spokesman for the Thai office said Taiwan's manpower brokers are also to blame for high brokering fees in the importation of Thai workers. "We hope our two countries can cooperate to eliminate all irregularities," the official said.

Thailand also wants labor administrators from the two countries to meet in the near future to discuss the signing of a bilateral labor agreement, the official said.

More than 60,000 Thai laborers are working in Taiwan, making Thailand Taiwan's largest source on alien workers. Thai workers are welcome here because they are perceived as being diligent, highly skilled, and obedient. If the government suspends entry of Thai laborers, labor market sources said, some local labor-intensive industries may be affected.

## Hong Kong

### China Criticizes Government Over Zhuhai Sewage Project

HK2503053994 Hong Kong SOUTH CHINA MORNING POST in English 25 Mar 94 p 2

[By Chris Yeung in Beijing]

[Text] A new political row has blown up between China and Hong Kong—this time over plans to dump sewage in Zhuhai waters. China said the Government had acted irresponsibly and had misled the public over the \$12 billion sewage treatment project. It said the project should not have been given the go-ahead without consultation with the Sino-British Joint Liaison Group (JLG).

A Hong Kong and Macao Affairs Office official said, if it went ahead, the urgent task of solving the territory's worsening water pollution would run into trouble. "We have already demanded the issue be discussed at the coming JLG full meeting," he said.

"The British side said they can go ahead with phase one of the project that will be completed before 1997 and will only discuss with us the second phase that straddles 1997.

"But does that make sense? The project cannot be cut in two. It should be considered as a whole."

"We are not trying to block the project. We do want immediately to do something to stop further pollution of the waters in Victoria Harbour. The worsening pollution has not only caused red tide in Hong Kong but also poisoned aquatic products in the Pearl River Delta region," he said. "Government officials were misleading the public when they said we had no dissenting views on the project," the official said. Rather, he said, the Chinese were surprised by the decision of the Government to launch the project with the recent award of a contract involving hundreds of millions of dollars.

The Government said yesterday that China had not been formally consulted on the project because a preliminary survey was being carried out with the help of mainland authorities to see whether the project was technically feasible and environmentally acceptable. "We are not yet in a position to apply to the Chinese side for construction of the second phase of the project," said Principal Assistant Secretary for Environment Chang King-yiu.

If the Government could confirm that there were good grounds to go ahead with phase two of the project, it would officially apply to the Chinese side to conduct a joint environmental impact study. Under the strategic sewage disposal scheme, the Government expected the facility to extend beyond the southern side of Hong Kong waters. "The final alignment has yet to be decided," she said.

According to the mainland official, the project envisaged a huge marine underwater pipeline with a total length of dozens of kilometres to be built linking Stonecutters Island with Tangangdao in Zhuhai. At least several hundreds of tonnes of sewage would be discharged into the waters off the Tangangdao. "Some people in Hong Kong have

already criticised that as an unethical project. Discharging the sewage water in your neighbours' place is simply unreasonable," he said. According to international law, a government wanting to build a pipeline in another country's waters has to seek that country's consent.

The official said the Hong Kong and Macao Affairs Office has organised a team of researchers to examine the issue including the hydrology of the Pearl River Delta. Some basic studies on the treatment of sewage in the territory have already been completed, he said. The official claimed that the Chinese Government proposed in August last year the issue of conducting a detailed feasibility study on the sewage project and the corresponding assessment on its environmental impact be put on the agenda of the JLG. He said the British side agreed to do so only early this month, but soon granted contracts for the project.

### Article Views Tensions Within Pro-Beijing United Front

HK2403073094 Hong Kong HONGKONG STANDARD in English 24 Mar 94 p 11

[By Jackie Sam]

[Text] The average Hong Konger finds National People's congress (NPC) and Chinese People's Political Consultative Conference (CPPCC) proceedings about as interesting as Legislative Council meetings—close to nil. Both only draw attention by the theatrical and the penned darts from newspaper commentators which generally pass for "public opinion" here.

This year's NPC-CPPCC meetings have been extremely dull. But there has been no shortage of political "entertainment" for Hong Kong people.

For sheer pathos, there was nothing to beat Mr Law Cheung-kuok's troublesome hand. By his own admission, the feeling of nationalism was so overpowering that his hand just shot up—joining a host of others who support a resolution on the dissolution of Hong Kong's pre-1997 British-made political structure when China resumes sovereignty over the territory.

Economist, securities firm director and vice-chairman of the Association for Democracy and People's Livelihood, Mr Law's errant hand didn't just raise eyebrows, it also raises some important questions about Hong Kong people.

The first—whether he has gone against party policy—was quickly answered by Mr Law himself. He had. Tearfully, he explained that he had been so overwhelmed by the nationalistic sentiments, he didn't know what he was doing.

But somewhat naively, he said he still subscribed to the "spirit of the statement". The following day, he denounced the CPPCC as a "hand raising machine". If he thought those statements would somehow absolve him, he was mistaken. The Liberals and the media were after his head. He flew back, apologised to all, resigned from his party



post and returned to the conference—certain in the knowledge that the media commentators would not allow him to put the incident behind him...ever.

As far as the majority of media are concerned, he can kiss goodbye the West Kowloon Legislative Council seat that he's been eyeing since 1991.

The incident highlighted the extent to which media people have become polarised over political reforms and 1997.

Mr Law's move also raised the even more important question of how much the Hong Kong media and the Liberals—really understand China. More than a billion people live across the vast expanse of China, for whom Hong Kong is an emotional issue of terrifying proportions. Neither the CPPCC nor the NPC, need to orchestrate the raising of hands when it comes to adopting resolutions on the recovery of Hong Kong, especially when accompanied by denunciations of the British. Many of those members would be quite prepared to lead a charge across the border to reclaim Hong Kong with their bare hands. It is that emotional.

It is the same emotion which has driven Ms Dorothy Liu Yiu-chu all these years—and partly helped propel her into her star turns this year.

To say she is angry over the appointment of several people to various national organisations who had previously served the British, is an understatement. She is raving mad about it.

So, to wide applause and laughter from Hong Kong, she took it out on the Chinese leadership. Her first turn was an obvious winner as far as the media was concerned. Prevented from meeting Hong Kong reporters in her allotted room at the Beijing Hotel, she rented another room on a different floor to host her own talk-shows.

Her next turn, however, didn't bring the house down. People thought she had gone a bit too far in making fun of Premier Li Peng. Most people recognised that Mr Li's slip of the tongue—for a split second blaming China for the breakdown in Sino-British talks over Hong Kong's political reforms was only all too human.

The day after his speech, she turned up at a Hong Kong group meeting to say that although the text had correctly blamed the British and had been distributed to all deputies in advance, most had not read it and had listened to the speech instead.

She was aghast that none other than the prime minister himself had put the blame on the nation. Could he clarify? The response was stoney silence. Some would probably have thought it unbecoming of a daughter of a national hero.

Undeterred, she turned on XINHUA's Hong Kong director, Mr Zhou Nan. Ever since the establishment of the Preliminary Working Committee she had been mad at him. Was it not him and Mr Lu Ping who appointed those "turncoats"—former Executive Councillors Ms Rita Fan, Ms Maria Tam and Sir S.Y. Chung—to the PWC and the CPPCC? She didn't quite put it that way. It would be too

nice. Instead, she told the panel: "In Hong Kong, we have someone who behaves like a decadent son of a very rich man, wasting away the family treasures." Pointedly, she explained that the man who had amassed the family fortune was none other than Mr Xu Jiatun. And the wastrel Mr Zhou Nan.

Considering that Mr Xu has defected to the United States the comparison was devastating.

The "fortune" refers to the support gathered by the affable Mr Xu. Some of those supporters have been disappointed by Mr Zhou, a rigid hard-liner who probably would have nothing to do with anyone who had served the British, if not for orders from on high and the requirements demanded for a united front. It was a terrible slap in the face for Mr Zhou. And it came from someone who fully understands how important face is in this community. Mr Zhou maintained a stoic silence. It won her top marks from the media.

She didn't let it rest there. Accosting Mr Zhou in the lobby of the Beijing Hotel, surrounded by the a group of Hong Kong reporters, she demanded: "Is your appointment legal?" Or words to that effect.

Some months ago, Mr Xu said in his serialised memoirs from California that Mr Zhou's appointment (in the confused period after Tiananmen in 1989) had not gone through the formal procedures of approval by the NPC.

The post of director in Hong Kong is equivalent to that of a minister.

### Officials, Legislators View Jardine Matheson Delisting

HK2403073294 Hong Kong HONGKONG STANDARD  
in English 24 Mar 94 p 1

[By Gavin Patterson, Deputy Business Editor, and Ming Man]

[Text] Jardine Matheson yesterday carried out its threat to delist its shares from Hong Kong, drawing immediate criticism from China and heralding the beginning of the end of British rule in the territory. Its shares will cease trading on 31 December when all transactions will move to London, the home of the company's primary listing.

Reaction was quick and ranged from anger to regret.

A Chinese official in Hong Kong immediately attacked the British trading giant for being irresponsible, even though Beijing has long targeted the hong [large trading company] over its origins as an opium dealer on the mainland.

Zheng Guoxiong, deputy director of the XINHUA News Agency, said: "The Chinese side doesn't want to see any company ignore Hong Kong's economic development and Hong Kong people's interests by doing something extremely irresponsible." But Jardine director Sir Charles Powell denied the group was moving out of the territory or that it lacked confidence in the future. "In no way does this

decision mark a withdrawal from Hong Kong," he said. "We have full confidence in the future and I would expect our business to increase."

Financial Secretary Sir Hamish Macleod also dismissed claims that the delisting would affect confidence in the local business community. "I think it's a great pity to see the delisting of Jardine. We have had an extended dialogue on the subject. We must not exaggerate the effect," Sir Hamish told reporters yesterday afternoon. "It is merely a delisting but, nevertheless, I think it is a pity and it takes a modest amount of capitalisation out of the Hong Kong stock market."

"Of course it has been more than compensated by the increase in capitalisation over the past year or so, but it is a pity and I regret it."

Sir Hamish said Jardine had made it clear the company would continue to operate and be a major employer and trader in the territory.

However, Liberal Party legislator Allen Lee attacked the decision saying it was irresponsible as the company had made so much money out of the territory. "I think it's very unfortunate. Jardine has a long history and connection with Hong Kong," Mr Lee said. United Democrats legislator Dr Huang Chen-ya also took the China line, saying: "It's not very responsible."

He said the Securities & Futures Commission (SFC) should protect the interests of small shareholders. Dr Huang feared that small investors might panic and sell their shares off cheaply. "They might be afraid that they may not be able to trade in these shares properly in the future," he said.

Sir Charles said the group had taken great pains in explaining its decision to the Chinese and added that the move was purely due to regulatory reasons. "To delist is not a drama, far from it. It will have no effect on our business, it concerns only the details of how we are regulated," he said.

The company has fought a long but unsuccessful battle with the SFC to avoid being regulated by Hong Kong's code on takeovers and mergers after the territory returns to China in 1997.

The SFC said it regretted the decision to delist but added it would not be justified in granting special treatment to Jardine, or any company, by exempting them from the local code.

#### **Officials Against Legislative Role in Court of Appeal**

HK2303063194 Hong Kong *EASTERN EXPRESS* in English 23 Mar 94 p 2

[By Rain Ren]

[Text] The Hong Kong government does not need the Legislative Council's approval to set up a court of final appeal as there is already an agreement between Britain and China, a senior Chinese official said yesterday. He

made the comment as the Government has been reminding legislators that time is running out for the court of final appeal to be set up before the transfer of sovereignty in 1997. But the Chinese official said the Government should just set up the court in accordance with the 1991 Sino-British secret deal on the composition of the court. It stipulates that only one overseas judge out of five may sit in the court of final appeal after 1997, a point which has been a bone of contention between the two countries.

The Legislative Council has passed a motion which stated that a bill for the court would be rejected.

"Everybody knows that the Legislative Council is just a consultative body to the Governor, who has the right to withhold his consent to Legco decisions," the official said.

"It is like the Joint Declaration. Can the Government put the Joint Declaration to the Legco? Is it the case that only after receiving the approval from the Legco can the Government implement the Joint Declaration?" The comment was echoed by Zhang Junsheng, the deputy director of the New China News Agency (Xinhua) yesterday.

Speaking at a function, Zhang said that by seeking Legco's approval on the issue, the Government was "binding its own hands and feet" and "asking for trouble". "Britain and China have already reached agreement on the court of final appeal. Britain should just act in strict accordance with the agreement," Zhang said. "The Legco is being placed by the Government at an inappropriately high level."

Richard Hoare, the director of administration, called the Chinese comments a "misunderstanding". "You can't set up a court without legislation. You can't pass legislation without putting it to the Legco," said Hoare. He said the Joint Declaration certainly did not need to be put to the Legislative Council.

"But there are a lot of things that come out of the Joint Declaration that have to be put to Legco for implementation where the change of law is required," he said. He said China ought to feel pleased because the Government was not proposing to go back on the agreement.

"We have drafted the bill on the basis of the composition we agreed with the Chinese side," he said. "But we still need to pass the legislation. It is not something that you can just set up. You've got to set out the composition of the court, the power of the court, the supporting of the court bill, like registrar. There are all sorts of things like these which need to be clearly specified in the legislation."

It is understood that the Government has started lobbying legislators to pass the bill once it is approved by the Executive Council next month. China will also be consulted on the draft bill before it is put to Legco. An appointed legislator, Christine Loh, said it would be technically incorrect if the court of final appeal was set up without Legco approval.

"What we are talking about is having legislation to set up the court which is something Hong Kong does not have the



moment," she said. "In our system we need to sever the links with the Privy Council and to set up the court. So we need legislation. "Perhaps Chinese officials don't understand how our system works," she added. "There is nothing the Government can do without law giving it power."

#### **Jardine Matheson To Delist From Local Stock Exchange**

HK2403061894 Hong Kong SOUTH CHINA  
MORNING POST in English 24 Mar 94 p 1

[By Gareth Hewett]

[Text] The final act in the 10-year drama surrounding Jardine Matheson's bid to escape Chinese rule was played yesterday when the powerful hong announced that its shares would not be traded on the Hong Kong Stock Exchange from December 31.

The widely expected move to de-list the stock was announced at lunchtime, provoking some rapid reaction from local regulators who have been refusing to compromise with the group. The move ends a drive by the company to remove itself from Hong Kong legal jurisdiction, beginning with its famous shift of domicile from Hong Kong to Bermuda in 1984.

Group managing director Nigel Rich and director Sir Charles Powell stressed the group still planned to invest in Hong Kong. Sir Charles said: "It is not a drama."

Mr Rich added: "While there may be some impact on our business in China, we do not think it will be of a significant nature." The group does about U.S.\$1 billion (HK\$7.72 billion) of business in gross revenues with China.

The decision to de-list the company, with a market capitalisation of \$38.8 billion representing 1.66 percent of total market capitalization, is expected to be followed by the similar de-listing of Jardine Strategic Holdings. But the Securities and Futures Commission has warned that Jardines will still come under its rules, even after the de-listing, because it is a public company in Hong Kong.

The group, whose interests range from the Mandarin Oriental Hotel to Wellcome Stores and Hongkong Land to Jardine Fleming, yesterday announced profits up 23 percent last year to U.S.\$388.8 million.

A public statement from the princely hong with 150 years' history said they were de-listing because they could not come to an agreement with the territory's chief regulator, the Securities and Futures Commission (SFC), on exemption from local rules involving a takeover code.

Chairman Henry Keswick said: "After extensive discussions, the SFC has concluded that exemptions or general waivers from the Hong Kong code are not appropriate.

"In the circumstances, the board [of Jardine Matheson] has reluctantly decided that it should terminate the company's contractual link to the Hong Kong code by withdrawing its secondary listing on the Hong Kong Stock

Exchange." The statement triggered a series of quickly arranged meetings and a flurry of statements.

Jardines shares were suspended from trading on the exchange in the afternoon. The stock fell \$4.75 to \$49.25 in the morning session. The Hang Seng Index, after a jittery morning, leapt 465 points to 9,456. At 3.30 pm Financial Secretary Sir Hamish Macleod expressed his regret and sadness at the de-listing decision. "Over the past three years, all parties concerned—the company, the SFC and the Government—have spared no effort to address Jardine Matheson's concerns, while at the same time ensuring that investors' interests would be adequately protected and the integrity of our market would not be compromised," Sir Hamish said.

Later in the day, a vice-director of local XINHUA (the New China News Agency), Zheng Guoxiong, criticized Jardines' move as "very irresponsible". "Between now and 1997 and beyond, it will take our concerted efforts to maintain Hong Kong's status as an international financial centre," said Mr Zheng.

"We don't want to see companies failing to take into account Hong Kong's economic development and Hong Kong people's interests and take very irresponsible action," he added. Senior British trade commissioner Francis Cornish said it was a pity that agreement over Jardine Matheson's plans could not be reached. "But we need to be clear what Jardine are doing.

"They are adjusting their listing arrangements. They are not pulling out of Hong Kong."

At merchant bank Morgan Grenfell, director Andrew Hall said: "This is not as critical to Hong Kong confidence as the decision to move to Bermuda in 1984 or the decision to have a primary listing in London in 1992." In a packed press conference at the penthouse suite of Jardine House, Mr Rich and Sir Charles defended the move.

"This is a decision related to our listing. It does not affect our business. It is not a drama," said Sir Charles.

After re-domiciling in 1984, the company obtained primary listing status in London in 1992 and obtained a secondary special status in Hong Kong exempting them from regulation by the stock exchange.

The SFC remained the chief regulator on takeovers because under British law companies domiciled outside the United Kingdom are not covered by Britain's Bermuda's takeover code stipulates that anyone acquiring 30 percent of a company's shares must make a general offer, where as Hong Kong's trigger point is 35 percent. Jardines is said to believe the Bermudan formula makes them less vulnerable to a takeover raid.

Jardine Matheson supported the setting up of the takeover code in Bermuda and argued this meant they could obtain exemption from Hong Kong's code governing such transactions.

The SFC could not agree to this and as a public company, whether listed or not, maintained that it remained within Hong Kong jurisdiction in takeovers and mergers. SFC

chairman Robert Nottle said takeover regulation from Bermuda was not practical because it was the other side of the globe and it did not sufficiently protect the interests of shareholders.

The request for exemption was to create a unified British based system of securities regulations governing the group companies. The objective reflects the company's British origins and its international character, the company said.

Sir Charles denied the decision to de-list was linked to fears of what might happen to the group when territorial sovereignty goes to China. In his statement, Mr Keswick said: "I would emphasise that our decision is related to the regulatory position of the company and does not signal any lack of confidence in the future of Hong Kong itself."

"Now that a new era is beginning we are as confident as ever in Hong Kong's future as a special administrative region of the Peoples Republic of China.

"We are today one of the largest investors in Hong Kong as well as being its largest private employer and we wish to continue to expand our investment in and business links with Hong Kong, China and the whole of Asia Pacific region."

#### **Chinese-American Businessman To Sue Hunan Over Detention**

HK2503053394 Hong Kong SOUTH CHINA MORNING POST in English 25 Mar 94 pp 1, 16

[By Beverly Chau]

[Text] A Hong Kong businessman plans to sue the Hunan authorities for "illegal detention" and withholding his passport. Dr Philip Cheng Hui-ho returned to the territory last night after having been kept in China for seven months in relation to an investment dispute with his Chinese partners.

A Chinese American, Dr Cheng said yesterday he wanted to clear his name with the Hunan court for detaining him for six days under horrid conditions and withholding his passport until last Tuesday [22 March]. Dr Cheng, 62, head of the Journalism and Communications Department of the Chinese University of Hong Kong before he went into business in 1991, said he would sue the Hunan court for "illegal detention" for the sake of improving China's judiciary system.

Dr Cheng said he would seek legal advice in Hong Kong before pursuing the case in China. "My case is a cumbersome one, but I think a legal issue is at stake. I will pursue it through legal proceedings," he said.

His wife Marie said yesterday the fact the authorities had allowed her husband to leave the country did not mean the case was finished. "The authorities have been wrong in this case," said Mrs Cheng, adding it was the couple's "legal right" to seek justice. Dr Cheng said he would pursue the battle until justice was done. "I hope I can do something for the (legal) system. I hope my case would make people aware of the problem," he said.

Dr Cheng is chairman of Zhuhai Golex, a bicycle-helmet factory in Zhuhai. The company was in partnership with a mainland company the Hunan Arts and Crafts Import and Export Company. Dr Cheng's nightmare started last August as he was re-negotiating a business deal with his mainland partner in a hotel room in Changsha. Court security guards burst into the room and arrested him. His mainland partner accused him of misappropriating funds and demanded his investment of US\$165,000 (HK\$1,273,000) back.

During a three-day interrogation in a guest house which doubled as a detention centre, Dr Cheng was told to return the sum immediately or face a jail term. His family said Dr Cheng was interrogated for three days and nights by as many as a dozen officials in a detention centre run by the brother-in-law of Dr Cheng's business partner. Dr Cheng, who is diabetic, was denied sleep and fainted repeatedly, according to his family.

He was released on September 1, six days after his arrest but was told not to leave Changsha. The US Embassy in Beijing intervened on his behalf and Dr Cheng was allowed last October to leave Changsha for Zhuhai, where his factory is located. Dr Cheng said at one point he was told his passport would be returned to him on condition he was to "forget all about the months of ordeal" and pledge not to take legal action against the authorities. He refused to take up the offer.

Last Friday [18 March], the Intermediary Court of Hunan came to the conclusion that the Hong Kong businessman "had been wrongly arrested". Dr Cheng said his passport was returned to him on Tuesday after a civil court in Hunan had examined other evidence.

The American citizen admitted that he was able to get back the passport because of *guanxi*, a special relationship with the authorities. Sounding cheerful yesterday, Dr Cheng said, "I feel great. Finally I am free and can be back home."

#### **Ningbo City Sponsors Hong Kong Economic, Trade Fair**

OW2303043894 Beijing XINHUA in English 0416 GMT 23 Mar 94

[Text] Hong Kong, March 23 (XINHUA)—Eastern China's port city Ningbo opened a six-day economic and trade fair in Hong Kong today, offering 76 projects for a total overseas investment of over one billion U.S. Dollars.

On display are more than 3,000 items of products which involve 300 million U.S. dollars. About 168 officials and businessmen from Ningbo are participating the fair.

Located in the middle of China's coastline and on the southern part of the Chang Jiang River delta, Ningbo had its GNP surpassing 30 billion rmb [renminbi] (about 3.46 billion U.S. dollars) in 1993 while its import-export trade value reached 1.69 billion U.S. dollars.

Last year, Ningbo port's handling capacity surpassed 53 million tons, ranking the fifth in China.



### 'Heavy Investments' Planned To Develop Infrastructure

OW2203104394 Beijing XINHUA in English 1022  
GMT 22 Mar 94

[Text] Hong Kong, March 22 (XINHUA)—The Hong Kong Government will make heavy investments to improve road and rail links which serve Hong Kong's trade, tourism and investment in the Chinese mainland, a government official said.

Addressing the Japan Federation of Economic Organization (Keidanren) here today, Donald Tsing, secretary for the Treasury, said big investment will also be launched to meet the everyday needs of the population.

A major expansion of the Lowu station would be completed early next year, and the government was considering the feasibility of a new railway to the border through the northwest New Territories to link up with the Chinese national rail system, he said. He added that planning for more container terminals is under way.

He said the government was particularly satisfied that many Japanese construction firms had participated in the government funded core program projects of the new airport at Chek Lap Kok and helped contribute towards the remarkable progress to-date.

Opportunities are plenty for private sector participation in Hong Kong's major infrastructural projects for the coming years, the secretary said.

"Hong Kong will continue to prosper as we embark on our ambitious but essential works programs to build for the future," he said.

### Trade With Germany Increases 12 Percent in '93

OW2203111894 Beijing XINHUA in English 0845  
GMT 22 Mar 94

[Text] Hong Kong, March 22 (XINHUA)—Hong Kong's trade with Germany totalled 80 billion H.K. dollars [Hong Kong dollars] (10.3 billion U.S. dollars) in 1993, an increase of 12 percent over the previous year, according to the Trade Development Council (TDC) here today.

Germany increased its exports to the territory by 14 percent last year over 1992 to reach 25 billion H.K. dollars (3.2 billion U.S. dollars), of which more than half were subsequently re-exported to the Chinese mainland and other regional markets.

Clothing makes up over two thirds of Hong Kong's domestic exports to Germany. Among other major exports were watches, office machinery, photographic equipment and jewelry.

The TDC released the figures following a recent two-day Hong Kong-Chinese mainland business trip by a 24-member delegation from the Nuremberg Chamber of Commerce and Industry of Germany.

"The Far East and China are the markets of the future. We are encouraging our members to seek joint ventures in China either directly, or through Hong Kong," said the chamber's President Gusti Drechsler was quoted as saying at the end of the trip.

"Labor costs are high in Germany. Our company is considering manufacturing its products in China for sale in the Pacific Rim markets. Hong Kong could be conduit for this activity," a delegation member William Sell said.

### Macao

#### Sino-Portuguese Joint Liaison Group Convenes in Beijing

OW2203063894 Beijing XINHUA in English 0600  
GMT 22 Mar 94

[Text] Beijing, March 22 (XINHUA)—The 19th meeting of the Sino-Portuguese Joint Liaison Group (JLG) opened here today.

During the four-day meeting, the two sides will continue to discuss three major issues relating to the transitional period in Macao, namely: the current developments in the official status of the Chinese Language, the localization of laws and the localization of the civil service.

Meanwhile, their discussion will also center on issues concerning civil service pensions, the participation of the Bank of China in currency issuing in Macao and the signing of an air transport agreement between Macao and a foreign company, as well as other issues related to stability and development in Macao.

Taking part in the meeting are chief representative of the Chinese side of the Sino-Portuguese JLG Guo Jiading, and Fernando Andresen Guimaraes, chief representative of the Portuguese side of the JLG.

The previous JLG meeting was held in Macao last November.

#### Book of 99 Speeches on Basic Law Published

OW2203135794 Beijing XINHUA in English 1333  
GMT 22 Mar 94

[Text] Macao, March 22 (XINHUA)—A book consisting of 99 speeches on the Basic Law of the Macao Special Administrative Region has been recently published by the Macao Foundation.

Contents of the book include what is the Basic Law, the overall structure and main contents of the Basic Law, as well as protection on property right and social welfare policies and other subjects which have close connection with Macao residents' vital interests.

Writers of the book include those who have a better understanding of Macao's political, legal and social affairs through practice and those who have participated in the drafting and consulting of the Basic Law.

The book is the fourth of a book series which aim to collect research achievements on Macao and provide conditions and clues for people to know more about Macao.

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